
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is issued by Grace Wine Holdings Limited. If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Grace Wine Holdings Limited, you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors of Grace Wine Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Grace Wine Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

GRACE
VINEYARD

怡園酒莊

Grace Wine Holdings Limited

怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8146)

- (1) VERY SUBSTANTIAL DISPOSALS AND CONNECTED TRANSACTIONS
IN RELATION TO THE PACIFIC SURPLUS DISPOSAL AND
THE EPIC WEALTH DISPOSAL**
- (2) PROPOSED DECLARATION AND PAYMENT OF
THE PACIFIC SURPLUS SPECIAL DIVIDEND AND
THE EPIC WEALTH SPECIAL DIVIDEND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A notice convening the EGM to be held at Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on Wednesday, 19 February 2025 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

24 January 2025

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcements”	the announcements of the Company dated 5 and 27 December 2024, and 21 January 2025 in relation to, among others, (i) the Pacific Surplus Agreement, the Pacific Surplus Supplemental Agreement, the Pacific Surplus Special Dividends; and (ii) the Epic Wealth Agreement, the Epic Wealth Supplemental Agreement, the Epic Wealth Special Dividends
“Assignment of the Sale Loan”	the deed of assignment of the Sale Loan in the agreed form as annexed to the Pacific Surplus Agreement to be entered into amongst the Company as assignor, Ms. Chan as assignee and acknowledged by Maxco concurrently with the Pacific Surplus Completion
“Bank”	Xiamen International Bank Co., Ltd. Longyan Branch* (廈門國際銀行股份有限公司龍岩分行), lender of the Project Loan and the Credit Line
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Chairlady”	Chairlady of the Board
“China Insights Consultancy”	China Insights Industry Consultancy Limited, an independent market research and consulting company
“Company”	Grace Wine Holdings Limited (怡園酒業控股有限公司), an exempted company incorporated in the Cayman Islands on 14 February 2012 with limited liability, the Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8146)
“Credit Line”	a credit line with maximum principal of RMB12 million pursuant to a comprehensive credit line agreement (綜合授信額度合同) entered into between Fujian Dexi as the borrower and the Bank as lender dated 23 October 2024 for a term of 3 years from 20 October 2024 to 20 April 2027

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“Credit Line Guarantee”	a guarantee provided by Shanxi Grace Vineyard in favour of the Bank for the Credit Line pursuant to a guarantee agreement (保證合同) entered into by Shanxi Grace Vineyard as guarantor and the Bank as guarantee covering the total principal amount of RMB12.0 million together with interest, penalty interests, liquidated damages, compensation and other costs that the guarantor may incur to enforce the Credit Line for a term commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line
“Deed of Indemnity”	if the Guarantee Releases have not taken place by the Pacific Surplus Completion, the deed of indemnity in the agreed form (as annexed to the Pacific Surplus Agreement) to be entered into upon the Pacific Surplus Completion, which will be executed by Ms. Chan as the indemnifier in favour of the Company for itself and as trustee for its subsidiaries, in relation to the Project Loan Guarantee and the Credit Line Guarantee
“Director(s)”	the director(s) of the Company
“Disposals”	collectively, the Pacific Surplus Disposal and the Epic Wealth Disposal
“Distillery Business”	the distillery business of gins and whisky principally operated by the Pacific Surplus Group
“EGM” or “Extraordinary General Meeting”	an extraordinary general meeting of the Company to be convened and held on Wednesday, 19 February 2025 at 2:30 p.m. notice of which is set out on pages EGM-1 to EGM-3 of this circular
“Epic Wealth”	Epic Wealth Holdings Limited, a limited liability company incorporated on 15 November 2024 under the laws of the BVI and directly wholly-owned by the Company
“Epic Wealth Agreement”	a conditional sale and purchase agreement dated 5 December 2024 entered into among the Company as seller and Ms. Chan as purchaser in relation to, among others, the Epic Wealth Disposal (as amended by the Epic Wealth Supplemental Agreement) for the Epic Wealth Consideration
“Epic Wealth Agreements”	the Epic Wealth Agreement and the Epic Wealth Supplemental Agreement

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“Epic Wealth Completion”	completion of the sale and purchase of the Epic Wealth Sale Shares in accordance with the terms and conditions of the Epic Wealth Agreement
“Epic Wealth Consideration”	the consideration for the Epic Wealth Disposal, being HK\$38,880,000
“Epic Wealth Disposal”	the proposed disposal by the Company of 30% of the issued share capital of Epic Wealth
“Epic Wealth Group”	Epic Wealth and its subsidiaries upon completion of the Epic Wealth Reorganisation
“Epic Wealth Reorganisation”	the reorganisation whereby the Company will transfer its entire interests in the six BVI holding companies for the Winery Business, namely Medford Global Limited, Grandtel Limited, Grand Fiesta Limited, Mercci Limited, Clover Star International Limited and Interfusion Limited, to Epic Wealth and thereby Epic Wealth will become the intermediary holding company for the entities of the Winery Business
“Epic Wealth Sale Shares”	30 ordinary shares of Epic Wealth, representing 30% of the entire issued share capital of Epic Wealth
“Epic Wealth Special Dividend”	subject to, among others, the approval of the Independent Shareholders at the EGM and the Epic Wealth Completion has taken place, a proposed special dividend of HK4.256 cents per Share, to be declared, distributed and paid to the Shareholders
“Epic Wealth Supplemental Agreement”	the supplemental agreement to the Epic Wealth Agreement dated 21 January 2025 entered into between the Company as seller and Ms. Chan as purchaser, which amended the terms of the conditions precedent and the payment of the Epic Wealth Consideration in the Epic Wealth Agreement
“EUR”	Euro, the lawful currency of the member states of the European Union
“Fujian Dexi”	Fujian Dexi Wine Co., Limited* (福建德熙酒業有限公司), a company established in the PRC on 4 December 2017 with limited liability, an indirect wholly-owned subsidiary of Pacific Surplus as at the Latest Practicable Date and a member of Pacific Surplus Group

DEFINITIONS

“Fujian Dexi Reorganisation”	the reorganisation of the equity interests in Fujian Dexi whereby Dragonet Limited (龍特有限公司) (an indirectly wholly-owned subsidiary of the Company) and Excellence Regent (卓峻有限公司) (an indirectly wholly-owned subsidiary of the Company) transferred their respective 18.9331% and 63.2845% equity interests in Fujian Dexi to Maxco at their respective registered capital of RMB18.1 million and RMB60.5 million, which was completed on 17 December 2024
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended or replaced or as their application is modified by listing decisions and guidance letters published from time to time or any other provisions from time to time
“Group”	the Company and its subsidiaries from time to time
“Guarantee Releases”	the proposed release of Shanxi Grace Vineyard from the Project Loan Guarantee and the Credit Line Guarantee by the Bank
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy)
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting on resolution(s) approving the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement
“Latest Practicable Date”	17 January 2025, being latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Long Stop Date”	30 June 2025 or such other date as the Company and Ms. Chan may mutually agree in writing pursuant to the terms of the Pacific Surplus Agreement and the Epic Wealth Agreement, respectively
“Longyan Distillery”	the gin and whisky distillery of Pacific Surplus Group located in Xiaochi Town, Xinluo District, Longyan City, Fujian Province, PRC
“Macmillan Equity”	Macmillan Equity Limited, a limited liability company incorporated under the laws of the BVI on 3 January 2012 and directly wholly-owned by Ms. Chan, Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company
“Maxco”	Maxco Asia Limited (萬浩亞洲有限公司), a company incorporated in Hong Kong with limited liability on 3 October 2017, an indirectly wholly-owned subsidiary of the Company and a member of the Pacific Surplus Group
“Mortgaged Commercial Properties”	the commercial properties and the related land use rights situated at Xiahe Road, Siming District, Xiamen City provided by Ms. Wong and Mr. Chan Kwan, which were mortgaged in favour of the Bank to secure the repayment obligation of Fujian Dexi under the Project Loan
“Mr. Chan Kwan”	brother of Ms. Chan and son of Ms. Wong, and a director of Shanxi Grace Vineyard
“Ms. Chan”	Ms. Judy Chan, Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company, and daughter of Ms. Wong and sister of Mr. Chan Kwan
“Ms. Wong”	Ms. Wong Shu Ying, a substantial Shareholder of the Company, and mother of Ms. Chan and Mr. Chan Kwan

DEFINITIONS

“Pacific Surplus”	Pacific Surplus Limited, a limited liability company incorporated on 2 September 2016 under the laws of the BVI and directly wholly-owned by the Company
“Pacific Surplus Agreement”	a conditional sale and purchase agreement dated 5 December 2024 entered into between the Company as seller and Ms. Chan as purchaser in relation to Pacific Surplus Disposal (as amended by the Pacific Surplus Supplemental Agreement) for the Pacific Surplus Consideration
“Pacific Surplus Agreements”	the Pacific Surplus Agreement and the Pacific Surplus Supplemental Agreement
“Pacific Surplus Completion”	completion of the sale and purchase of the Pacific Surplus Sale Shares and the assignment of the Sale Loan in accordance with the terms and conditions of the Pacific Surplus Agreement
“Pacific Surplus Consideration”	the consideration for the Pacific Surplus Disposal, being HK\$71,280,000
“Pacific Surplus Disposal”	the proposed disposal by the Company of the entire issued share capital of Pacific Surplus together with a shareholder’s loan
“Pacific Surplus Group”	Pacific Surplus and its subsidiaries as at the Latest Practicable Date
“Pacific Surplus Sale Shares”	100 ordinary shares of Pacific Surplus, representing 100% of the entire issued share capital of Pacific Surplus
“Pacific Surplus Special Dividend”	subject to, among others, the approval of the Independent Shareholders at the EGM and the Pacific Surplus Completion has taken place, a proposed special dividend of HK7.802 cents per Share, to be declared, distributed and paid to the Shareholders
“Pacific Surplus Supplemental Agreement”	the supplemental agreement to the Pacific Surplus Agreement dated 21 January 2025 entered into between the Company as the seller and Ms. Chan as the purchaser, which has amended the terms of the conditions precedent and payment of the Pacific Surplus Consideration to the Pacific Surplus Agreement

DEFINITIONS

“Palgrave Enterprises”	Palgrave Enterprises Limited, a limited liability company incorporated under the laws of the BVI on 3 January 2012 and directly wholly-owned by Ms. Wong, a substantial shareholder of the Company
“PRC” or “China”	the People’s Republic of China (which shall for the purposes of this circular, unless otherwise indicated, exclude Hong Kong, the Macau Special Administrative Region and Taiwan)
“Project Loan”	a loan with principal of RMB81.71 million pursuant to a project loan agreement (項目借款協議) entered into between Fujian Dexi as the borrower and the Bank as lender dated 7 November 2023 for a term of 10 years from 13 November 2023 to 13 November 2033, as supplemented from time to time
“Project Loan Guarantee”	a guarantee provided by Shanxi Grace Vineyard in favour of the Bank for the Project Loan pursuant to a guarantee agreement (保證合同) entered into by Shanxi Grace Vineyard as guarantor and the Bank as guarantee covering the total principal amount of RMB81.71 million together with interest, penalty interests, liquidated damages, compensation and other costs that the guarantor may incur to enforce the Project Loan for a term commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan
“Remaining Group”	the Group excluding the Pacific Surplus Group and 30% of the issued share capital of Epic Wealth upon the Pacific Surplus Completion and the Epic Wealth Completion, respectively
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	an interest-free shareholder’s loan provided by the Company to Maxco, which outstanding balance was approximately RMB9.70 million (equivalent to approximately HK\$10.47 million) as at the date of the Pacific Surplus Agreement

DEFINITIONS

“Sanlion International”	Sanlion International Investment Limited (恒發國際投資有限公司), a company incorporated in Hong Kong on 29 January 1997, which is held as to 60% by Mr. Chan Chun Keung (spouse of Ms. Wong, and father of Ms. Chan, Mr. Chan Kwan and Mr. Chan Pak Lim Brian), 10% by Ms. Wong, 10% by Ms. Chan, 10% by Mr. Chan Kwan, and 10% by Mr. Chan Pak Lim Brian (son of Mr. Chan Chun Keung and Ms. Wong, and brother of Ms. Chan and Mr. Chan Kwan)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanxi Grace Vineyard”	Shanxi Grace Vineyard Co., Limited* (山西怡園酒莊有限公司), a company established in the PRC with limited liability on 7 August 1998 and an indirect wholly-owned subsidiary of the Company and a member of the Epic Wealth Group
“Share Pledge Agreement”	if the Guarantee Releases have not taken place by the Pacific Surplus Completion, a share pledge agreement in the agreed form (as annexed to the Pacific Surplus Agreement) to be entered into upon the Pacific Surplus Completion by Ms. Chan, the Company and Pacific Surplus, in favour of the Company by way of pledge over the Pacific Surplus Sale Shares as security in relation to the Project Loan Guarantee and the Credit Line Guarantee
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	pursuant to the Epic Wealth Agreement, the shareholders’ agreement in agreed form (as annexed to the Epic Wealth Agreement) to be entered into between the Company and Ms. Chan upon the Epic Wealth Completion
“Shares”	ordinary shares of the Company
“Special Dividends”	refers to the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar, the lawful currency of the United States of America

DEFINITIONS

“Valuation Report”	a valuation report of (1) the 30% equity interests in Epic Wealth; and (2) the 100% equity interests in Pacific Surplus prepared by the Valuer dated 5 December 2024 (and reissued on 24 January 2025 for inclusion in this circular), the text of which is set out in Appendix V to this circular
“Valuer”	APAC Asset Valuation and Consulting Limited, an independent valuer engaged by the Group
“Winery Business”	the business principally operated by Epic Wealth Group
“%”	per cent

* for identification purpose only

In this circular, unless the context otherwise requires, the terms “associate”, “close associate”, “core connected person”, “connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder”, if used where applicable, shall have the meanings given to such terms in the GEM Listing Rules, as modified by the Stock Exchange from time to time.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word or term defined under the SFO, the GEM Listing Rules or any statutory modification thereof and not otherwise defined in this circular shall, where applicable, have the same meaning assigned to it under the SFO, the GEM Listing Rules or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and date in this circular shall be a reference to Hong Kong time and date respectively, unless otherwise stated.

The headings in this circular are inserted for convenience only and shall be ignored in construing this circular.

Any discrepancy in the figures included in this circular, the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this circular may not be an arithmetic aggregation of the figures that precede them.

For the purpose of this circular, unless the context otherwise provides, the exchange rate of RMB1.00 = HK\$1.08 have been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.

LETTER FROM THE BOARD



Grace Wine Holdings Limited
怡園酒業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8146)

Executive Director:

Ms. Judy Chan
(Chairlady and Chief Executive Officer)

Non-executive Directors:

Mr. Chow Christer Ho
Dr. Cheung Chai Hong
Mr. James Douglas Richard Field

Independent Non-executive Directors:

Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*

Unit 2304, 23/F
Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

24 January 2025

To the Shareholders,

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSALS AND CONNECTED TRANSACTIONS
IN RELATION TO THE PACIFIC SURPLUS DISPOSAL AND
THE EPIC WEALTH DISPOSAL**
**(2) PROPOSED DECLARATION AND PAYMENT OF
THE PACIFIC SURPLUS SPECIAL DIVIDEND AND
THE EPIC WEALTH SPECIAL DIVIDEND**

1. INTRODUCTION

1.1 The purpose of this circular

Reference is made to the Announcements in relation to, among others, (i) the Pacific Surplus Agreement, the Pacific Surplus Supplemental Agreement and the Pacific Surplus Special Dividend; and (ii) the Epic Wealth Agreement, the Epic Wealth Supplemental

LETTER FROM THE BOARD

Agreement and the Epic Wealth Special Dividend. This circular is to provide Shareholders with, among others, (i) further particulars of the transactions contemplated under the Pacific Surplus Agreement (as amended by the Pacific Surplus Supplemental Agreement) and the Epic Wealth Agreement (as amended by the Epic Wealth Supplemental Agreement); (ii) the declaration and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend; (iii) financial information of the Pacific Surplus Group and the Epic Wealth Group; (iv) unaudited pro forma financial information of the Remaining Group; (v) the recommendation of the Independent Board Committee in respect of the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements; (vi) a letter of advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements; and (vii) other information as required under the GEM Listing Rules together with a notice convening the EGM.

1.2 Pacific Surplus Disposal

On 5 December 2024 (after trading hours) the Company (as seller) and Ms. Chan (as purchaser) entered into the Pacific Surplus Agreement, pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, representing the entire issued share capital of Pacific Surplus, as well as the Sale Loan, for the Pacific Surplus Consideration, which amounts to HK\$71,280,000. The Sale Loan is an interest-free loan that the Company provided to Maxco, an indirect wholly-owned subsidiary of Pacific Surplus. Upon the Pacific Surplus Completion, the Company (as assignor) and Ms. Chan (as assignee) will enter into the Assignment of the Sale Loan to assign the Sale Loan from the Company to Ms. Chan.

On 21 January 2025 (after trading hours), the Company (as seller) and Ms. Chan (as purchaser) entered into the Pacific Surplus Supplemental Agreement to amend the terms of the conditions precedent for the Pacific Surplus Completion as well as the payment of the Pacific Surplus Consideration. In particular, (i) the payment of the Pacific Surplus Consideration to be paid by Ms. Chan will also be net of any Pacific Surplus Special Dividend that Palgrave Enterprises and Ms. Wong are entitled to receive as Palgrave Enterprises and Ms. Wong have notified the Company to do so; and (ii) the additional conditions precedent for the Pacific Surplus Completion that the Pacific Surplus Completion is conditional on the declaration and payment of the Pacific Surplus Special Dividend is approved by the Independent Shareholders at the EGM. Therefore, the Pacific Surplus Disposal will only proceed (even if approved by the Independent Shareholders) if the Pacific Surplus Special Dividend is approved by the Independent Shareholders. See “2. Pacific Surplus Disposal” of this circular for further details of the major terms of the Pacific Surplus Agreements and the Assignment of Sale Loan.

As at the Latest Practicable Date, Fujian Dexi, a member of the Pacific Surplus Group, has two outstanding borrowings owed to the Bank, namely, the Project Loan and the Credit Line. As at the Latest Practicable Date, among other collateral and securities

LETTER FROM THE BOARD

provided for the Project Loan and the Credit Line, Shanxi Grace Vineyard provided corporate guarantees in favour of the Bank. If the Independent Shareholders approve the Pacific Surplus Disposal, upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi. As such, Fujian Dexi has commenced discussions with the Bank for the Guarantee Releases. As at the Latest Practicable Date, it is the Company's understanding that the internal assessment of the Guarantee Releases by the Bank is close to finalisation. The remaining steps will be standard procedures such as executing the documents for the Guarantee Releases, which are expected to be without any material obstacles. Based on the latest reply from the Bank, it is expected that the Guarantee Releases will take place in the first quarter of 2025. The Company will publish further announcement(s) upon completion of the Guarantee Releases in due course.

If on the date of the Pacific Surplus Completion that the Guarantee Releases have not taken place, concurrently with the Pacific Surplus Completion, as part of the terms of the Pacific Surplus Agreements, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor and the Company as pledgee will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs that Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) may suffer resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee. See “– 2. Pacific Surplus Disposal – 2.5 The Project Loan and the Credit Line” in this letter for further details of the Project Loan and Credit Line, and the collateral and guarantees provided under the Project Loan and the Credit Line.

1.3 Epic Wealth Disposal

On 5 December 2024 (after trading hours), the Company (as seller) and Ms. Chan (as purchaser) also entered into the Epic Wealth Agreement pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Epic Wealth Sale Shares, representing 30% of the issued share capital of Epic Wealth at the Epic Wealth Consideration, which amounts to HK\$38,880,000. Furthermore, to regulate the management of Epic Wealth, concurrently with the Epic Wealth Completion, the Company and Ms. Chan will enter into the Shareholders' Agreement.

On 21 January 2025 (after trading hours), the Company (as seller) and Ms. Chan (as purchaser) entered into the Epic Wealth Supplemental Agreement to amend the terms of the conditions precedent for the Epic Wealth Completion as well as the payment of the Epic Wealth Consideration; (i) the payment of the Epic Wealth Consideration to be paid by Ms. Chan will also be net of any Epic Wealth Special Dividend that Palgrave Enterprises and Ms. Wong are entitled to receive as Palgrave Enterprises and Ms. Wong have notified the Company to do so; and (ii) the additional conditions precedent for the Epic Wealth Completion that the Epic Wealth Completion is conditional on the declaration and payment of the Epic Wealth Special Dividend is approved by the Independent Shareholders at the

LETTER FROM THE BOARD

EGM. Therefore, the Epic Wealth Disposal will only proceed (even if approved by the Independent Shareholders) if the Epic Wealth Special Dividend is approved by the Independent Shareholders.

The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved.

The Pacific Surplus Completion and the Epic Wealth Completion will be subject to the conditions including, among others, the declaration and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, are approved by the Independent Shareholders at the EGM. If the declaration and payment of the Pacific Surplus Special Dividend is not approved by the Independent Shareholders, completion of the Pacific Surplus Disposal will not take place. Similarly, if the declaration, and payment of the Epic Wealth Special Dividend is not approved by the Independent Shareholders, completion of the Epic Wealth Disposal will not take place. Please refer to “– 2. Pacific Surplus Disposal – 2.1 Pacific Surplus Agreement” and “– 3. Epic Wealth Disposal – 3.1 Epic Wealth Agreement” of this letter for further details of the conditions precedent applicable to the Pacific Surplus Disposal and the Epic Wealth Disposal.

2. PACIFIC SURPLUS DISPOSAL

2.1 Pacific Surplus Agreements

The major terms of the Pacific Surplus Agreements are set out below:

Date	:	5 December 2024 (after trading hours) for the Pacific Surplus Agreement
		21 January 2025 (after trading hours) for the Pacific Surplus Supplemental Agreement
Parties	:	(a) The Company as seller; and
		(b) Ms. Chan as purchaser.
Subject matter	:	The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, which represent the entire issued share capital of Pacific Surplus, as well as the Sale Loan.

LETTER FROM THE BOARD

Consideration : HK\$71,280,000, which has been determined with reference to (i) the Valuation Report of the Pacific Surplus Group (assuming completion of the Fujian Dexi Reorganisation) as at 30 September 2024 prepared by the Valuer with the appraised value being approximately RMB56.00 million (equivalent to approximately HK\$60.48 million) (adopting the asset-based approach) of the entire equity interest of the Pacific Surplus Group as at 30 September 2024; and (ii) the outstanding amount of the Sale Loan as at the date of the Pacific Surplus Agreement.

Payment of consideration : On the date of the Pacific Surplus Completion, Ms. Chan (or her nominee) shall pay the Pacific Surplus Consideration, net of the amount of the Pacific Surplus Special Dividend to be received by Macmillan Equity, Palgrave Enterprises and Ms. Wong, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties. Ms. Chan confirmed that she would not dispose of, or procure Macmillan Equity to dispose of, any of the Shares prior to the record date of the Pacific Surplus Special Dividend. Ms. Wong and Palgrave Enterprises also confirmed that they would not dispose of any of the Shares prior to the record date of the Pacific Surplus Special Dividend.

As such, the net amount that Ms. Chan will need to pay to the Company to settle the balance of the Pacific Surplus Consideration on the Pacific Surplus Completion will be HK\$25,288,407.

Conditions precedent : The Pacific Surplus Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:

- (a) the Pacific Surplus Agreement, the Pacific Surplus Supplemental Agreement and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;

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- (b) the declaration and payment of the Pacific Surplus Special Dividend have been approved by the Independent Shareholders at the EGM;
- (c) the necessary regulatory approval(s) and/or clearance(s) in relation to the Pacific Surplus Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Pacific Surplus Disposal to be published;
- (d) the Fujian Dexi Reorganisation has been completed; and
- (e) the representations, warranties, agreements and undertakings set out in the Pacific Surplus Agreement being true, accurate and complete in all material respects and not misleading as of the date of the Pacific Surplus Completion.

As at the Latest Practicable Date, condition (d) has been fulfilled. Neither the Company or Ms. Chan shall have the right to waive the conditions (a), (b), (c) and (d).

- Completion** : The Pacific Surplus Completion shall take place after the conditions precedent to the Pacific Surplus Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.
- Termination** : If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Pacific Surplus Agreement shall automatically terminate with immediate effect.

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2.2 Assignment of the Sale Loan

Pursuant to the Pacific Surplus Agreements, concurrently with the Pacific Surplus Completion, the Company and Ms. Chan will enter into the Assignment of the Sale Loan. The major terms of the Assignment of the Sale Loan are set out below:

- Parties** : (a) The Company as assignor; and
(b) Ms. Chan as assignee.
- Subject matter** : The Company transfers and assigns all its title, rights, interests and benefits of and in the Sale Loan to Ms. Chan.
- Warranties** : The Company warrants to Ms. Chan that:
- (a) the Sale Loan is duly and validly owing by Maxco to the Company;
 - (b) the Company is the sole legal and beneficial owner of the Sale Loan and has full power and authority to enter into the Assignment of the Sale Loan and assign the Sale Loan without any consent or approval of any third party; and
 - (c) the Sale Loan is interest free, unsecured and repayable upon demand and constitutes the entire sum repayable by Maxco to the Company.

2.3 Deed of Indemnity

The major terms of the Deed of Indemnity to be entered into if the Guarantee Releases have not taken place by the Pacific Surplus Completion are set out below:

- Parties** : (a) Ms. Chan as indemnifier; and
(b) The Company (for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies).

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Indemnity : Ms. Chan irrevocably and unconditionally undertakes to the Company (for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies) that Ms. Chan shall on demand indemnify and hold harmless Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in respect of any loss or liability suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in relation to any payment made or required to be made by Shanxi Grace Vineyard and any costs and expenses incurred as a result of or in connection with any claims (including fees of the counsels), demands or action taken by or on behalf of the Bank in relation to the Project Loan Guarantee and the Credit Line Guarantee.

Termination : The Deed of Indemnity shall be terminated automatically upon (i) full discharge of the Project Loan and the Credit Line; or (ii) the release of the Project Loan Guarantee and the Credit Line Guarantee, whichever is earlier.

2.4 Share Pledge Agreement

The major terms of the Share Pledge Agreement to be entered into if the Guarantee Releases have not taken place by the Pacific Surplus Completion are set out below:

Parties : (a) Ms. Chan as pledgor;
(b) The Company as pledgee; and
(c) Pacific Surplus as the company.

Share pledge : Ms. Chan pledges the Pacific Surplus Sale Shares to the Company as security for any loss or liability suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in relation to any payment made or required to be made by Shanxi Grace Vineyard and any costs and expenses incurred as a result of or in connection with any claims, demands or action taken by or on behalf of the Bank in relation to the Project Loan Guarantee and the Credit Line Guarantee.

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Security period : From the date of the agreement to the date of the Project Loan and the Credit Line being fully discharged or the effective date when the Project Loan Guarantee and the Credit Line Guarantee are released, whichever is earlier.

Exercise of the pledge : The Company will exercise the pledge if the Company has demanded Ms. Chan to pay the indemnity under the Deed of Indemnity in writing but Ms. Chan has failed to make such repayment within 30 days from the date of the written notice. The Company, shall, in particular, be entitled to:

- (a) sell, or cause the sale of, the pledged shares;
- (b) request that the pledged shares be transferred to the Company; and
- (c) use any other enforcement method to the widest extent permissible under the applicable law.

The Company shall have the right to request the enforcement of the pledge in respect of all or part of the pledge shares at its absolute discretion. No action, choice or absence of action in respect of the enforcement of the pledge, or partial enforcement, shall in any manner affect the pledge as it then shall be (and in particular those pledge shares which have not been subject to enforcement). The pledge shall continue to remain in full and valid existence until enforcement, discharge or termination, as the case may be.

Termination of the pledge : The pledge shall be terminated automatically upon (i) full discharge of the Project Loan and the Credit Line; or (ii) the release of the Project Loan Guarantee and the Credit Line Guarantee, whichever is earlier. In such case, as requested by Ms. Chan, the Company shall sign a written document to terminate the pledge created under the agreement and submit such document to pledgor, or assist pledgor in handling other procedures for terminating the pledge.

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- Covenants** : Ms. Chan covenants to the Company that, until the end of the security period:
- (i) she shall not, without the prior written consent of the Company, approve an increase in Pacific Surplus' share capital unless she subscribes for all the shares issued;
 - (ii) she shall not create or permit to subsist any lien, security interest, usufruct, claim, option, pledge, charge, assignment, transfer (including the transfer of legal title to a trustee or a fiduciary) and other encumbrances of any kind, other than the pledge, in respect of the shares (or any part thereof) (irrespective of its ranking), and shall not permit the existence of any such lien, security interest, claim, option, pledge, charge, assignment, transfer and other encumbrances of any kind other than the pledge or any preferential right arising by operation of law;
 - (iii) she shall not (nor shall she agree to) sell, transfer, assign, encumber or otherwise dispose of any of the Pacific Surplus Sale Shares or any part thereof without the prior written consent of the Company;
 - (iv) she shall not renounce or waive any rights, title or action under the Pacific Surplus Sale Shares in any way that would adversely affect the Company's rights under the agreement except with the Company's prior written consent;
 - (v) she shall not cause the legal form of Pacific Surplus to change or otherwise modify the articles of association of Pacific Surplus in any way that would adversely affect the Company's rights under the agreement except with the Company's prior written consent;

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- (vi) she shall not take any action in respect of the Pacific Surplus Sale Shares which could, directly or indirectly, have a material adverse effect on the validity, the effectiveness or the enforceability of the pledge or the rights of the Company under or in connection with the pledge or have a material adverse effect on the Pacific Surplus Sale Shares; and
- (vii) she shall, and shall cause Pacific Surplus to (and Pacific Surplus, by signing the agreement, agrees to), take all necessary actions which the Company may request to protect the validity, the effectiveness and the enforceability of the pledge or the rights of the Company under the Share Pledge Agreement and/or to create and perfect the security interest that is granted, or purported to be granted, under the Share Pledge Agreement.

2.5 The Project Loan and the Credit Line

The Project Loan is a project loan obtained by Fujian Dexi as borrower and the Bank as lender pursuant to a project loan agreement dated 7 November 2023 for the Longyan Distillery with a principal amount of RMB81.71 million at an interest rate of 5 year loan prime rate plus 0.15% or at 4.35%, whichever is higher (with effect from 18 September 2024, such interest rate was fixed at 4.1%) for a ten year terms commencing on 13 November 2023 to 13 November 2033.

The Credit Line is a credit line with maximum principal of RMB12 million at an interest rate of 2.6% (within the first year from the drawdown date in respect of the amount drawn down from time to time) and 3.4% (after the first year from the drawdown date in respect of the amount drawn down from time to time) pursuant to a comprehensive credit line agreement entered into between Fujian Dexi as the borrower and the Bank as lender dated 23 October 2024 for a term of 3 years from 20 October 2024 to 20 April 2027.

As at the Latest Practicable Date, the outstanding principal under the Project Loan and the Credit Line amounted to approximately RMB52.39 million and RMB10.00 million, respectively.

As at the Latest Practicable Date, the following collateral and guarantees have been created in favour of the Bank to secure the repayment obligation of Fujian Dexi under the Project Loan: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank; (b) the Mortgaged Commercial Properties; (c) a personal guarantee provided by Ms. Chan; and (d) the Project

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Loan Guarantee provided by Shanxi Grace Vineyard. The collateral and guarantees in relation to the Project Loan have a term commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan.

The major terms of the agreement for the Project Loan Guarantee are set out below:

Parties	:	(a) Shanxi Grace Vineyard as guarantor; and (b) The Bank as creditor.
Date of guarantee	:	7 November 2023
Scope of guarantee	:	guarantee covering the total principal amount of RMB81.71 million together with interest, penalty interests, liquidated damages, compensation and other costs that the Bank may incur to enforce the Project Loan
Term	:	commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan (whereby the Project Loan will expire on 13 November 2033)

As at the Latest Practicable Date, the following collateral and guarantees have been created in favour of the Bank to secure the repayment obligation of Fujian Dexi under the Credit Line: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank; (b) a personal guarantee provided by Ms. Chan; and (c) the Credit Line Guarantee provided by Shanxi Grace Vineyard. The collateral and guarantees in relation to the Credit Line have a term commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line.

The major terms of the Credit Line Guarantee are set out below:

Parties	:	(a) Shanxi Grace Vineyard as guarantor; and (b) The Bank as creditor.
Date of guarantee	:	23 October 2024
Scope of guarantee	:	guarantee covering the total principal amount of RMB12.0 million together with interest, penalty interests, liquidated damages, compensation and other costs that the Bank may incur to enforce the Credit Line

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Term : commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line (whereby the Credit Line will expire on 20 April 2027)

Upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi. As such, Fujian Dexi has commenced discussions with the Bank for the Guarantee Releases, which will take time to negotiate and finalise. As at the Latest Practicable Date, it is the Company's understanding that the internal assessment of the Guarantees Releases by the Bank is close to finalisation. The remaining steps will be standard procedures such as executing the documents for the Guarantee Releases, which are expected to be without any material obstacles. Based on the latest reply from the Bank, it is expected that the Guarantee Releases will take place in the first quarter of 2025. The Company will publish further announcement(s) upon completion of the Guarantee Releases in due course. If on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, as part of the terms of the Pacific Surplus Agreement, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor and the Company as pledgee will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims that the Bank may make relating to the Project Loan Guarantee and the Credit Line Guarantee.

Based on the latest reply from the Bank, it is expected that the Guarantee Releases will take place in the first quarter of 2025. Furthermore, the EGM will be convened and held on Wednesday, 19 February 2025. As such, assuming the Independent Shareholders approve all the resolutions at the EGM (namely, the Disposals, the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend), the Guarantee Releases may take place around the time of the Pacific Surplus Completion and Epic Wealth Completion. Hence, the Deed of Indemnity as well as the Share Pledge Agreement may not be entered into if the Guarantee Releases will be on or before the Pacific Surplus Completion.

Furthermore, the existing collateral was substantially higher than the outstanding principal of the Project Loan of RMB52.39 million as at the Latest Practicable Date. The Mortgaged Commercial Properties at time of obtaining the Project Loan had a total valuation of approximately RMB122.6 million. Hence, solely based on the Mortgaged Commercial Properties would be sufficient to cover any outstanding amount of the Project Loan if Fujian Dexi will default in its repayment and the Bank proceed to enforcement.

The Share Pledge Agreement was an additional security provided by Ms. Chan to the Company if during the transition period of securing the Guarantee Releases, Fujian Dexi fails to repay the Project Loan and the Credit Line and that the Bank enforces the collaterals including the Project Loan Guarantee and the Credit Line Guarantee against

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Shanxi Grace Vineyard. If Shanxi Grace Vineyard pays the Bank pursuant to the enforcement of the Project Loan Guarantee and the Credit Line Guarantee and that Ms. Chan fails to repay the Shanxi Grace Vineyard within 30 days pursuant to the terms of the Deed of Indemnity, then, the Company will have an additional security by way of enforcing the Share Pledge Agreement and take back Pacific Surplus and indirectly the Distillery Business. Therefore, as the Share Pledge Agreement is one of the two securities (i.e. the Deed of Indemnity and the Share Pledge Agreement) provided by Ms. Chan during the transition period of securing the Guarantee Releases under the Pacific Surplus Agreements, considering the reasons as setout above, the Board is of the view that the terms of the Share Pledge Agreement together with the Deed of Indemnity for the Pacific Surplus Disposal are fair and reasonable as a whole.

3. EPIC WEALTH DISPOSAL

3.1 Epic Wealth Agreements

The major terms of the Epic Wealth Agreements are set out below:

Date	:	5 December 2024 (after trading hours) for the Epic Wealth Agreement
		21 January 2025 (after trading hours) for the Epic Wealth Supplemental Agreement
Parties	:	(a) The Company as seller; and (b) Ms. Chan as purchaser.
Subject matter	:	The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire the Epic Wealth Sale Shares, which represent 30% of the entire issued share capital of Epic Wealth.
Consideration	:	HK\$38,880,000, which has been determined with reference to the Valuation Report of the Epic Wealth Group as at 30 September 2024 prepared by the Valuer, with the appraised value (adopting the market approach) of the entire equity interest of the Epic Wealth Group being approximately RMB121.19 million (equivalent to approximately HK\$130.89 million) as at 30 September 2024.

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Payment of consideration : On the date of the Epic Wealth Completion, Ms. Chan (or her nominee) shall pay the Epic Wealth Consideration, net of the amount of the Epic Wealth Special Dividend to be received by Macmillan Equity, Palgrave Enterprises and Ms. Wong, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties. Ms. Chan confirmed that she would not dispose of, or procure Macmillan Equity to dispose of, any of the Shares prior to the record date of the Epic Wealth Special Dividend.

Ms. Wong and Palgrave Enterprises also confirmed that they would not dispose of any of the Shares prior to the record date of the Epic Wealth Special Dividend.

As such, the net amount that Ms. Chan will pay to the Company to settle the balance of the Epic Wealth Consideration on the Pacific Surplus Completion will be HK\$13,793,676.

Conditions precedent : The Epic Wealth Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:

- (a) the Epic Wealth Agreement, the Epic Wealth Supplemental Agreement and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;
- (b) the declaration and payment of the Epic Wealth Special Dividend have been approved by the Independent Shareholders at the EGM;
- (c) the necessary regulatory approval(s) and/or clearance(s) in relation to the Epic Wealth Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Epic Wealth Disposal to be published;

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- (d) the Epic Wealth Reorganisation has been completed;
- (e) the Fujian Dexi Reorganisation has been completed; and
- (f) the representations, warranties, agreements and undertakings set out in the Epic Wealth Agreement being true, accurate and complete in all material respects and not misleading as of the date of the Epic Wealth Completion.

As at the Latest Practicable Date, condition (e) has been fulfilled. Neither the Company or Ms. Chan shall have the right to waive the conditions (a), (b), (c), (d) and (e).

Completion : The Epic Wealth Completion shall take place after the conditions precedent to the Epic Wealth Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.

Termination : If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Epic Wealth Agreement shall automatically terminate with immediate effect.

3.2 The Shareholders' Agreement

Pursuant to the Epic Wealth Agreements, if the Independent Shareholders approve the Epic Wealth Disposal, concurrently with the Epic Wealth Completion, the Company and Ms. Chan shall enter into the Shareholders' Agreement. The Shareholders' Agreement aims to regulate the management of Epic Wealth, minimise the risk of transfer of interest in the Winery Business to other parties and dilution of the interest of the Company in the Winery Business to protect the interest of the Company.

The major terms of the Shareholders' Agreement to be entered into by the Company and Ms. Chan upon the Epic Wealth Completion are set out below:

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- Board composition** : The board of directors of Epic Wealth shall be three, which shall comprise two directors nominated and appointed by the Company and one director nominated and appointed by Ms. Chan. The chair of the board of Epic Wealth shall be determined by the board of directors of Epic Wealth from time to time. The board of directors of Epic Wealth shall be responsible for making decisions relating to the business of Epic Wealth.
- Board reserved matters** : The resolutions relating to the following matters require the affirmative vote of all directors of Epic Wealth:
- (a) creating any encumbrance on any of the interests in Epic Wealth and/or any of its subsidiaries outside the ordinary course of the business;
 - (b) selling or disposing of a significant part of Epic Wealth Group's assets or business;
 - (c) providing loans, guarantees or indemnities outside the ordinary course of the business; and
 - (d) entering into major contracts or transactions outside the ordinary course of the business.
- Shareholders' reserved matters** : The resolutions relating to the following matters require the affirmative vote of all shareholders:
- (a) selling or granting any option to purchase, or effecting any share split, subdivision, share dividend, reverse share split, recapitalisation or similar change in the share capital of Epic Wealth;
 - (b) issuance of any new shares or securities, or new classes of shares;
 - (c) repurchasing or redeeming any of the shares or other securities;

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- (d) amendment of the articles of association; and
- (e) modifying the rights attached to any shares or any class of shares from time to time.

Right of first refusal : If any of the shareholders of Epic Wealth (the “**Transferor**”) proposes to transfer any share(s) of Epic Wealth to one or more third parties, then such Transferor shall give the other shareholder(s) of Epic Wealth (the “**Purchasing Shareholder(s)**”) written notice of the Transferor’s intention to make the Transfer (the “**Transfer Notice**”). The Purchasing Shareholder(s) shall have an option for a period of thirty (30) clear days (the “**Option Period**”) following the delivery of the Transfer Notice to elect to purchase the security to be transferred (the “**Transfer Shares**”) at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before the expiration of the Option Period as to the number of Transfer Shares (in all or in part) that they (whether by themselves or through their nominee(s)) wishes to purchase. If the Purchasing Shareholder(s) elect to purchase the Transfer Shares through their nominee(s), such nominee(s) entity shall be wholly-owned by them respectively. Any Purchasing Shareholder who fails to inform the Transferor and Epic Wealth in writing during the Option Period shall be deemed as having waived all of its right of first refusal with respect to such Transfer Shares stated in the relevant Transfer Notice. If the Purchasing Shareholders do not elect to purchase all of the Transfer Shares and there are remaining Transfer Shares, the Transferor shall then be entitled to transfer the Transfer Shares to the designated transferee at a price not less than that set out in the Transfer Notice and on the terms and conditions not more favourable than those set out in the Transfer Notice, and other shareholders of Epic Wealth shall use their best endeavours to assist in the relevant procedures of the proposed share transfer and the change of shareholders (if applicable).

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If there are two or more Purchasing Shareholders deciding to exercise the right of first refusal during the Option Period, and the aggregate number of the Transfer Shares that such Purchasing Shareholders stated in their Transfer Notices for purchase exceeds the number of the Transfer Shares, they shall negotiate and determine their respective proportions to purchase the Transfer Shares within thirty (30) business days upon their receipt of the Transfer Notice from the Transferor. If no such agreement is reached within the above period, the maximum number of the Transfer Shares available to each Purchasing Shareholder shall be equal to the product obtained by multiplying (i) the number of the Transfer Shares by (ii) a fraction, numerator of which shall be the aggregate number of shares then held by such Purchasing Shareholder, and the denominator of which shall be the total number of Shares of all the Purchasing Shareholders deciding to exercise the right of first refusal at the date of the Transfer Notice.

If the Purchasing Shareholder(s) gives notice to the Transferor that they desire to purchase the Transfer Shares, then payment for the Transfer Shares to be purchased shall be made by wire transfer in immediately available funds of appropriate currency, against delivery of such Transfer Shares to be purchased and an instrument of transfer duly executed by the Transferor whereby they agree to transfer of such Transfer Shares to the Purchasing Shareholder(s) (or their nominee(s)) at a place agreed to by the Transferor and the Purchasing Shareholder(s) and at the time of scheduled closing therefor, but if they cannot agree, then at the principal place of business of the Transferor on the thirtieth (30th) day after the delivery of the Transfer Notice. Epic Wealth will update its register of members upon consummation of any such transfer.

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4. VALUATION

The appraised value of the Pacific Surplus Group and the Epic Wealth Group was determined based on the Valuation Report prepared by the Valuer in accordance with the International Valuation Standards as published by International Valuation Standards Council, respectively.

4.1 Identity of Valuer

The valuation was carried out by APAC Asset Valuation and Consulting Limited, an independent valuer engaged by the Company. The Valuer has confirmed its independence from the Company and has the professional qualifications to perform the valuations of Epic Wealth Group and Pacific Surplus Group. Mr. Jasper Chan, being the person-in-charge of the valuations of Epic Wealth Group and Pacific Surplus Group, is a CFA[®] charterholder and a certified FRM[®] with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, and mine valuations.

4.2 Scope of the valuations of the Pacific Surplus Group and the Epic Wealth Group

The Valuer is instructed to perform valuations of the fair values of 100% equity of the Pacific Surplus Group and 30% equity of the Epic Wealth Group as at 30 September 2024, which is the valuation date for the exercise (the “**Valuation Date**”).

The valuation is reliant on the information regarding the Pacific Surplus Group and the Epic Wealth Group being accurate and truthful. Should any of the information on the valuation subject be changed, the valuation result will be subject to change as well.

4.3 Source of information

The Valuer has been provided with extracts of copies of relevant documents and financial information relating to the Epic Wealth Group and the Pacific Surplus Group. The valuation was conducted based on the aforesaid information and market data and information sourced from Bloomberg in forming the opinion of the fair values of 100% equity of the Pacific Surplus Group and 30% equity of the Epic Wealth Group as at 30 September 2024.

4.4 Valuation of 100% equity of the Pacific Surplus Group

The Pacific Surplus Group has not generated any significant income attributable to distillery business. The largest asset held by the business was the properties and the land use rights. The Pacific Surplus Group does not have other significant business activities as at 30 September 2024, other than the holdings of the properties and the land use rights. Similar to the Epic Wealth Group, the income approach was not adopted in this exercise as the cash flow projections with easily verifiable and supportable assumptions and parameters

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were not readily available. According to the management of the Group, while the initial stages of the production process of Pacific Surplus Group have commenced, the fermentation process of the distillery products will take a prolonged period of time to complete (up to 3 years). Its products are not ready for sale and Pacific Surplus Group has not made significant income in the past and would not make material revenue attributable to the distillery business in the coming two years. No comparable public companies in a similar circumstance as Pacific Surplus Group were found for the market approach assessment. The Valuer therefore considers that the asset-based approach is the most appropriate method to appraise Pacific Surplus Group due to its business nature and unique circumstances.

The asset-based approach was adopted for the valuation of the equity of the Pacific Surplus Group, as the tangible assets (in particular, the properties) were considered the best indicator of value for companies of similar status to the Pacific Surplus Group. This was considered the most common valuation method for this type of situation.

This approach considers that the fair value of equity value of Pacific Surplus Group is equivalent to the fair value of all of its assets after subtracting from its aggregate liabilities. The Valuer is engaged by the Group to perform the business valuation of Pacific Surplus Group as at 30 September 2024, and no adjustment has been made to the aggregate liabilities of Pacific Surplus Group regarding the Sale Loan in the equity valuation of Pacific Surplus Group.

Under this approach, the Valuer have conducted a fair value assessment of the assets and liabilities held by the Pacific Surplus Group to derive the valuation of the Pacific Surplus Group.

A summary of adjustments to the key items of assets, including property, plant and equipment and prepaid land lease payments, tax allowance on asset loss and goodwill to reflect fair value basis are outlined below. The remaining items of assets and liabilities are not adjusted on the basis that their fair values are not materially different from their book values.

1. Property, plant and equipment and prepaid land lease payments

According to management, this represents the Properties (including property plant and equipment and construction-in-progress) located at the facilities site to be use for production of distillery products. The prepaid land lease payments represent the Land. No other fixed assets are incorporated in these accounts. The Properties and the Land represent an industrial complex in Xinluo District, Longyan City, Fujian Province. The fair value of the Properties and the Land was appraised using the Depreciated Replacement Cost (DRC) method.

Depreciated Replacement Cost is based on an estimate of the fair value for the existing use of the Properties and Land, plus the current gross replacement

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(reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence, if any. The Depreciated Replacement Cost of the Properties (including property plant and equipment and construction-in-progress) and the Land generally provided the most reliable indication of value of an asset in the absence of a known market based on comparable sales.

Under the Depreciated Replacement Cost (DRC) Approach, the fair value is calculated as the sum of the land value and the depreciated replacement cost of the buildings and structures. A site inspection was conducted in November 2024, during which the condition and usage of the Properties and the Land were assessed.

The value of the Land was determined by referencing three recently transacted industrial sites in the district, with unit prices ranging from RMB166 to RMB215 per sq. m. These comparables shared similar characteristics such as usage, tenure, transacted date and location. The selection of the comparables is considered exhaustive. These transactions, dated between September and November 2024, were for lots ranging in size from approximately 6,500 to 13,500 sq. m. After considering factors such as location, size, and land use term with adjustments ranging from 2% to 10%, a market unit price of RMB180 per sq. m. was applied for the appraisal of the Land.

The Properties comprised the following three components:

(i) Main buildings and structures

The main buildings and structures represent the main industrial buildings of distillery facilities. It is tailor-made and no appropriate comparable is available. In the appraisal of the main buildings and structures, the original construction costs are adjusted with reference to the construction costs from the Fujian Province Construction Cost Index and the results of consultation with local construction advisers, as well as adjustments for the design and uses of each of the buildings of the property. In particular, the distillation workshop and cellar are considered specialized facilities designed for malt distilling and wine storage, respectively. These designs deviate from standard industrial specifications. In this exercise, the Valuer made cost adjustments based on consultations with local construction advisers. The replacement costs for the main buildings and structures were adjusted upward by approximately 10% compared to general industrial buildings.

(ii) Auxiliary buildings

The auxiliary buildings represent warehouse, office, canteen, dormitory and other buildings next to the main buildings and structures of the distillery facilities. They were appraised with reference to published replacement construction costs for general industrial uses. The 2024 edition of the “Fujian

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Province Construction Cost Index” was referenced, with adjustments for inflation and local labour costs. Concerning the finishing materials for the auxiliary buildings, our consultations with local advisers indicated that there are 0–10% changes in the costs for such materials from the original purchase dates to the Valuation Date.

Depreciation was applied to the replacement cost of each building and structure based on its age, condition, and remaining useful life as observed during the site inspection. The straight-line depreciation method was adopted. The length of useful life is assumed to be 50 years, with reference to Category 3 of Table 3.2.1 “Classification of Design Service Life” in the “Code for Design of Civil Buildings GB 50352-2005” announced by the Ministry of Construction of the People’s Republic of China in Announcement No. 327 and effective as of 1 July 2005. The depreciation rate is computed to be approximately 3.7% per annum.

(iii) Machinery and equipment

Machinery and equipment include furniture, barrels, electronics, machinery, structures, and vehicles, which are appraised based on their useful life, market price trends, and depreciation. The replacement costs of the machinery and equipment were computed as the original purchase price of the relevant items multiplied by a price adjustment factor, which in turn is derived as the factor of 1 plus the rate of the change in market price between the original purchase date and the Valuation Date. Depreciation was then applied to the replacement costs based on the condition, and remaining useful life of the relevant items. The straight-line depreciation method was adopted to arrive at the depreciated replacement costs of the machinery and equipment.

The types of machinery and equipment, the adopted price adjustment factors, and the useful life are summarized in the below table.

Equipment Type	Change in Market Price*	Price Adjustment Factor	Useful Life (in years)*
Barrels	-16.7%	0.833	6
Electronics	-2.5%	0.975	6
Vehicle	-2.5%	0.975	8
Machinery	-2.5%	0.975	10
Furniture	-2.5%	0.975	15

* These are expressed as the useful life and the change in price between the original purchase date and the Valuation Date.

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2. *Deferred tax assets*

We have calculated the deferred tax assets as the fair value changes of the Properties and the Land as the difference between their book values and fair values multiplied by the applicable profit tax rate of 25% based on the management's advice of relevant tax policies that would be applied to the subject Properties and Land. In particular, the amount of deferred tax assets is computed as follows:

<i>RMB'000</i>		
Decrease in Fair Value of the Properties (i.e., property, plant and equipment)	(a)	120,641 – 102,300 = 18,341
Decrease in Fair Value of the Land (i.e., prepaid land lease payments)	(b)	6,994 – 6,900 = 94
Fair Value of Deferred Tax Assets (Rounded to thousands)	[(a) + (b)] x 25%	18,435 x 25% = 4,609

3. *Goodwill*

This represents goodwill arising from the past acquisition of Maxco Asia Limited by Grace Wine in August 2019. According to management of the Group, other than the development of the distillery facilities and business, the business unit has not planned for any other new projects. As the values of Properties and Land have been marked to market, and the business unit in its latest status as at the Valuation Date does not have significant business activities other than the ongoing development of the Properties and Land, no intangible asset can be reasonably quantified and recognized. Therefore, the fair value of goodwill as at the Valuation Date is considered nil.

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Adjusted Net Asset Value Analysis on 30 September 2024

	Book Value 30 September 2024 <i>RMB'000</i>	Fair Value 30 September 2024 <i>RMB'000</i>
Assets		
Non-current assets		
Property, plant and equipment	120,641	102,300
Prepaid land lease payments	6,994	6,900
Goodwill	2,726	–
Tax allowance on asset loss	–	4,609
Total non-current assets	130,361	113,809
Current assets		
Inventories	6,268	6,268
Prepayments and other receivables	11,335	11,335
Due from fellow subsidiaries	3	3
Cash and cash equivalents	1,651	1,651
Total current assets	19,257	19,257
Total assets	149,618	133,066
Liabilities		
Non-current liabilities		
Interest-bearing bank borrowings	49,284	49,284
Deferred tax liabilities	28	28
Total non-current liabilities	49,312	49,312
Current liabilities		
Other payables	2,388	2,388
Due to fellow subsidiaries	5,137	5,137
Due to immediate holding company	8,385	8,385
Interest-bearing bank borrowings	1,305	1,305
Total current liabilities	17,215	17,215
Total liabilities	66,527	66,527
Net Asset Value (before marketability adjustments)	83,091	66,539

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Similar to the valuation of the equity of Epic Wealth Group, a discount for lack of marketability (“**DLOM**”) of 15.7% is adopted for the valuation of the equity of Pacific Surplus Group. This discount sourced from the Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability, and is considered to be applicable to reflect its lack of marketability of private equity similar to that of Pacific Surplus Group, and is considered fair and reasonable for the valuation of the equity of Pacific Surplus Group.

Based on the above, the fair value of all the assets of Pacific Surplus Group after subtracting from its aggregate liabilities amounted to RMB66,539,000. The discount for lack of marketability of 15.7% is then applied to the adjusted net asset value to arrive at the fair value of the equity value of Pacific Surplus Group, which is calculated as follows:

Adjusted Net Asset Value (<i>RMB'000</i>)	(A)	66,539
(before marketability adjustments)		
DLOM	(B)	15.7%
Adjusted Net Asset Value after DLOM	(A) x [1 – (B)]	56,092
(<i>RMB'000</i>)	= (C)	
Fair Value of 100% equity of Pacific Surplus Group (rounded to the nearest million)		RMB56,000,000

4.5 Valuation of 30% equity of the Epic Wealth Group

The Valuer has adopted the market approach in the valuation of Epic Wealth Group, which is considered a common valuation method for operating and revenue generating winery businesses like the Epic Wealth Group. The asset-based approach is not appropriate for the valuation of the Epic Wealth Group, as it has an active business, and this approach ignores the economic benefits of ownership of the business. The income approach has not been adopted in this exercise as the cash flow projections for the business of the Epic Wealth Group would require numerous assumptions on projected growth or changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations would not be easily verifiable, supportable or reliably measured.

Under the market approach, the Valuer adopted the guideline public company method, which involves the use of the valuation multiples applicable to the subject companies. Furthermore, the Valuer adopted the enterprise-value-to-sales (“**EV/S**”) multiple because the value of a business like the Epic Wealth Group would directly be related to its ability to drive sales of wine products. Thus, the revenue of the Epic Wealth Group is considered the key value indicator of its business. The EV/S multiple is a common valuation multiple used to appraise the valuation of businesses with volatile profit fluctuations and/or non-profit making businesses.

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Identification of suitable comparable companies

The Valuer identified relevant comparable companies operating in China based on multiple sets of selection criteria in order to sort out particular companies that are comparable to the subject companies in terms of risks and business nature.

The Valuer adopted the following screening process in arriving at our initial shortlist of companies to further sort out appropriate comparable companies for Epic Wealth Group:

- The shortlisted companies are categorised as operating in the alcoholic beverages manufacturing or specialty online retail industry according to Bloomberg; and
- The market capitalisation of the shortlisted company must be less than RMB5 billion, so that the shortlisted company would have comparable market capitalization with Epic Wealth Group. Companies operating in the PRC with market capitalization of less than RMB5 billion are conventionally considered small/micro market capitalization firms. The Valuer also referenced various market studies such as the CRSP Deciles Size Study, and in 2023, companies with market capitalization of less than approximately RMB3.9 billion (after currency conversion) were considered micro-cap companies. The Valuer selected the RMB5 billion market capitalization as the upper bound threshold to exclude companies up to the size of mega corporations which may operate across multiple regions and multiple segments unlike Epic Wealth.

The Board has been advised by the Valuer of the reference and reasoning for the market capitalization criteria and considers that the selection criteria for the comparable Companies are reasonable.

Based on the information provided to the Valuer, Epic Wealth Group has all of its revenue derived from the Winery Business. The Valuer seeks to select a list of comparable companies that have a similar source of revenue as the Epic Wealth Group, while they also have sufficient trading activities prior to the Valuation Date.

- Similar to Epic Wealth Group, the comparable companies should have over 50% of revenue derived from the businesses of winery aggregately according to their latest published annual reports and company websites;
- The comparable companies should also have over 50% of revenue derived from the PRC market aggregately;
- The financial information of the comparable companies must be publicly available;

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- The comparable companies’ historical trading data must be sufficient and available;
- The public trading of the comparable companies’ shares should have suspended trading of no more than 30 days within one year before the Valuation Date.

Following the above process, five listed companies, including the Company, are selected as the comparable companies, as the Company is considered a suitable comparable company because its valuation multiple is direct market information on how the open market (i.e., other market participants) perceives the worth of a business operating in the winery industry similar to Epic Wealth Group. It should be noted that the shares of the Company are public, whilst the shares of Epic Wealth Group are private. The list of selected Comparable Companies is exhaustive in terms of the above criteria. The EV/S multiples of the comparable companies included in the valuation of Epic Wealth Group were as follows:

As at 30 September 2024					
Name	Stock Code	Market	Revenue	Net Profit	EV/S
		Capitalization			
		RMB’000	RMB’000	RMB’000	
Grace Wine Holdings Ltd (“ Grace Wine ”)	8146 HK	52,772	45,097	884	1.48
Dynasty Fine Wines Group Ltd (“ Dynasty ”)	828 HK	483,259	243,781	26,519	1.6
Wei Long Grape Wine Co Ltd (“ Wei Long ”)	603779 CH	3,224,524	420,776	(87,888)	8.24
China Ouhua Winery Holdings Ltd (“ China Ouhua ”)	COWH MK	48,869	16,181	(3,480)	2.04
Tonghua Grape Wine Co Ltd (“ Tonghua ”)	600365 CH	1,183,898	860,696	(28,030)	1.33

The market information of the selected comparable companies was collected from Bloomberg. As shown above, Wei Long has an EV/S of 8.24, which is higher than those of the other comparable companies. It is noted that Wei Long has many characteristics like Epic Wealth and the other comparable companies.

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Stock code	Wei Long	Grace Wine	Dynasty	China Ouhua	Tonghua
Similar operating locations of winery	Winery located in Shandong and Gansu Provinces, being in the northern region of China	Winery located in Shanxi Province, being in the northern region of China	Winery located in Tianjin, being in the northern region of China	Winery located in Yantai, Shandong, being in the northern region of China	Winery located in Tonghua, Jilin, being in the northern region of China
Similar business and manner of product distribution	All comparable companies produce winery products and conduct sales of their products both through online and offline retailing in China.				
Similar company size	All comparable companies have a market capitalization below RMB5 billion and are considered a micro-cap firm under CSRP Decile Size Study.				

In light of the above similarities, whilst the EV/S of Wei Long of 8.4 is higher than the other comparable companies, it is considered a suitable reference as a comparable company to indicate the applicable EV/S for Epic Wealth.

The Board has been provided with the Valuer's reasons for the inclusion of Wei Long Grape Wine Co Ltd and the use of average EV/S. The Board has been advised by the Valuer and also considered Wei Long's similarities to Epic Wealth and the remaining comparable companies, and viewed that the adoption of Wei Long as a comparable and the use of average EV/S to be fair and reasonable.

As the average value places equal weighting of representation of all the selected comparable companies, and they are considered equally indicative of the market valuation multiple for winery companies, this is used as the proxy EV/S multiple to be applied to the valuation of the equity of Epic Wealth. The average EV/S of the selected comparable companies is found to be 2.94.

In view of the limited and exhaustive number of Comparable Companies found through the above selection process, and given that this valuation exercise is performed for disposal purpose, the Valuer adopted all relevant and available Comparable Companies to derive a reasonable and appropriate valuation multiple for the valuation of Epic Wealth.

Privately held companies are not readily marketable and would face more difficulty in converting their shares into cash as compared with publicly held companies. DLOM is commonly considered in the valuations of privately held companies to reflect difference in the marketability of the shares of the subject private companies and that of the selected publicly-traded comparable companies. A DLOM of 15.7% was adopted in the valuation of the equity of Epic Wealth Group.

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The calculations in arriving at the 30% equity value of Epic Wealth Group using the market approach is summarised in the below table.

Trailing-twelve-months revenue* (from 1 October 2023 to 30 September 2024) (RMB'000)	(A)	42,320
EV/S	(B)	2.94
EV (RMB'000)	(A) x (B) = (C)	124,421
Cash (RMB'000)	(D)	26,250
Debt (RMB'000)	(E)	2,151
Add: Non-operating assets (RMB'000)	(F)	6,737
Minus: Non-operating liabilities (RMB'000)	(G)	11,492
Equity Value before marketability discount adjustment (RMB'000)	(C) + (D) – (E) + (F) – (G) = (H)	143,765
DLOM	(I)	15.70%
Equity Value after marketability discount (RMB'000)	(H) x [1 – (I)] = (J)	121,194
Shareholding (%)	(K)	30%
Fair Value of the equity of Epic Wealth Group (RMB'000)	(J) x (K) = (L)	36,358
Fair Value of the equity of Epic Wealth Group (RMB) (rounded to the nearest million)		36,000,000

* Based on management accounts and management's representation on the revenue attributable to the Winery Business.

4.6 Key assumptions under the Valuation Report

The valuations were subject the following assumptions and limitations:

- It was assumed that the accuracy of financial and operational information provided by the Company. The Valuer relied to a considerable extent on such information in arriving at the opinion of value;
- Should the actual tax assets and liabilities to be incurred by the Pacific Surplus Group and the Epic Wealth Group be different from the assumed assets and liabilities in the Valuation Report, the valuation result would be changed significantly;
- The valuation of the Properties has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Properties.

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No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value;

- It was assumed that there were no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;
- There would be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business was in operation;
- There would be no major changes in the current taxation law in the areas in which the Pacific Surplus Group and the Epic Wealth Group carried on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations would be complied with;
- The inflation, interest rates and currency exchange rate would not differ materially from those presently prevailing;
- The Pacific Surplus Group and the Epic Wealth Group would retain their management and technical personnel to maintain their ongoing operations;
- There would be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that would affect the existing business;
- The Pacific Surplus Group and the Epic Wealth Group would remain free from claims and litigation against the business or its customers that would have a material impact on the valuation;
- The Pacific Surplus Group and the Epic Wealth Group were unaffected by any statutory notice and the operation of the business would not give rise to any contravention of any statutory requirements; and
- The Winery Business and the Distillery Business were not subject to any unusual or onerous restrictions or encumbrances.

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4.7 Input for the valuations

The valuation of the Pacific Surplus Group took into account (i) the liquid assets including cash and deposits of the Pacific Surplus Group; (ii) the receivables of the Pacific Surplus Group; (iii) the payables of the Pacific Surplus Group; (iv) prepayment of the Pacific Surplus Group; (v) the other receivables of the Pacific Surplus Group; (vi) the fixed assets of the Pacific Surplus Group; (vii) the equipment of the Pacific Surplus Group; and (viii) other tangible and intangible assets of the Pacific Surplus Group.

The valuation of the Epic Wealth Group took into account (i) the enterprise-value-to-sales multiples of the comparable companies; (ii) revenue of the Epic Wealth Group; and (iii) cash and debt and other non-operating assets and liabilities of the Epic Wealth Group.

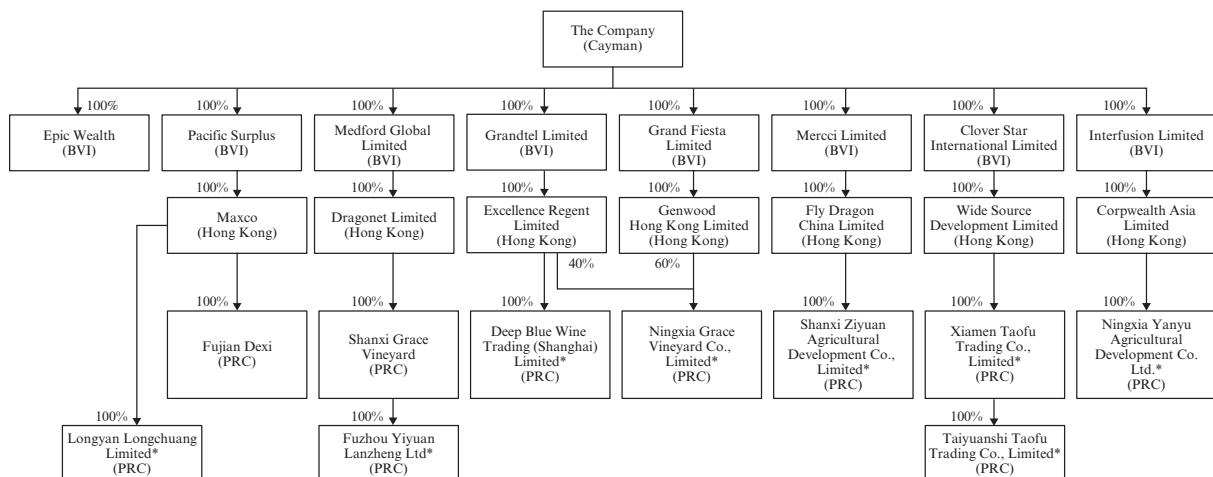
The valuation results of 100% equity of the Pacific Surplus Group and 30% equity of the Epic Wealth Group are RMB56,000,000 and RMB36,000,000, respectively.

The Valuation Report on 100% equity value of the Pacific Surplus Group and 30% equity value of the Epic Wealth Group is set out in Appendix V to this circular.

5. SHAREHOLDING STRUCTURES BEFORE AND AFTER THE EPIC WEALTH COMPLETION AND THE PACIFIC SURPLUS COMPLETION

5.1 Shareholding structure of the Group as at the Latest Practicable Date

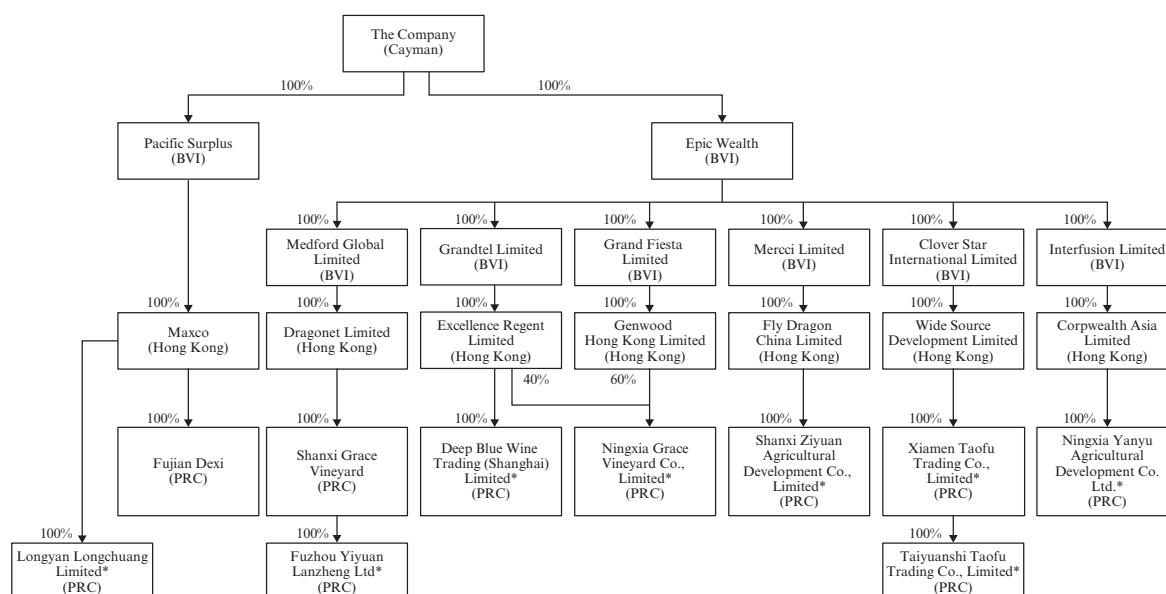
The Fujian Dexi Reorganisation was completed on 17 December 2024 and the Epic Wealth Reorganisation was yet to be completed as at the Latest Practicable Date. The following chart illustrates the shareholding structure of the Group as at the Latest Practicable Date:



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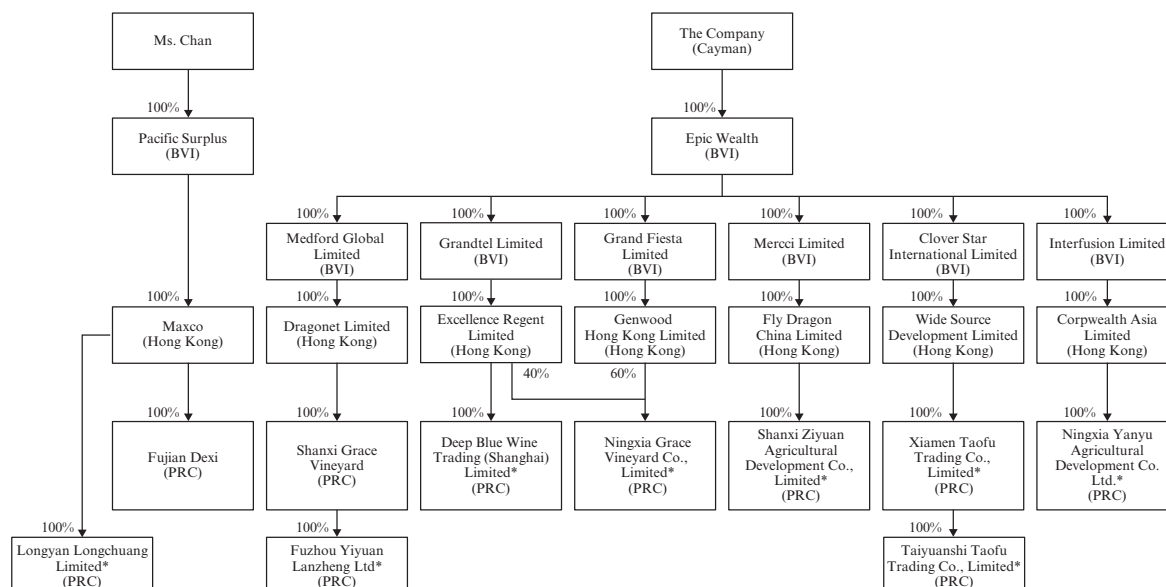
5.2 Shareholding structure of the Group after the Epic Wealth Reorganisation but before the Disposals

The following chart illustrates the shareholding structure of the Group immediately after the Epic Wealth Reorganisation but before the Disposals:



5.3 Shareholding structure assuming the Independent Shareholders approve only the Pacific Surplus Disposal but not the Epic Wealth Disposal

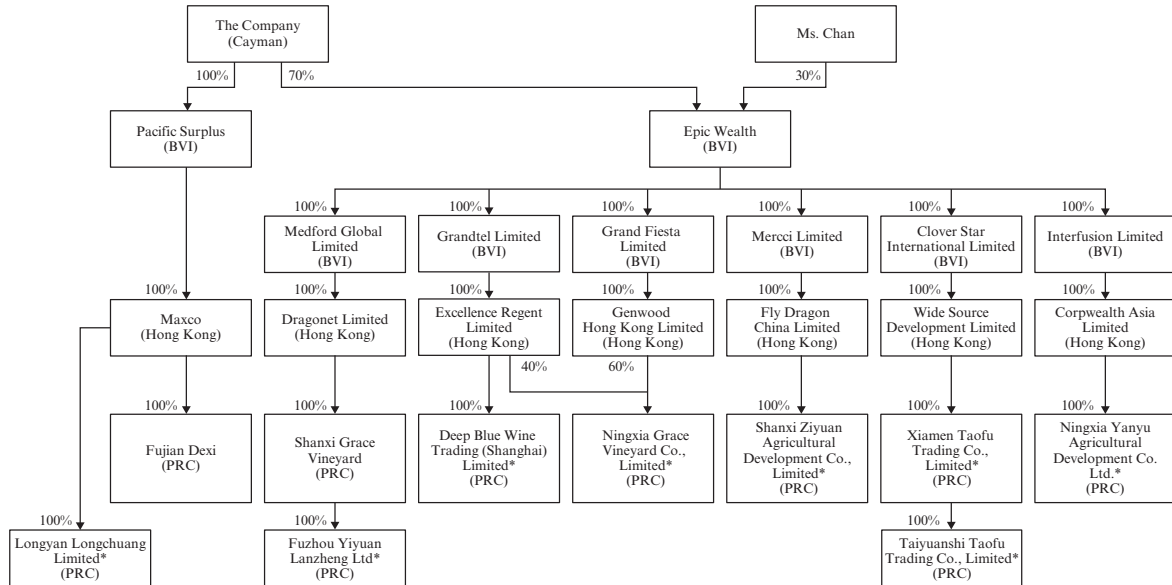
The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Pacific Surplus Disposal but not the Epic Wealth Disposal and immediately after the Pacific Surplus Completion:



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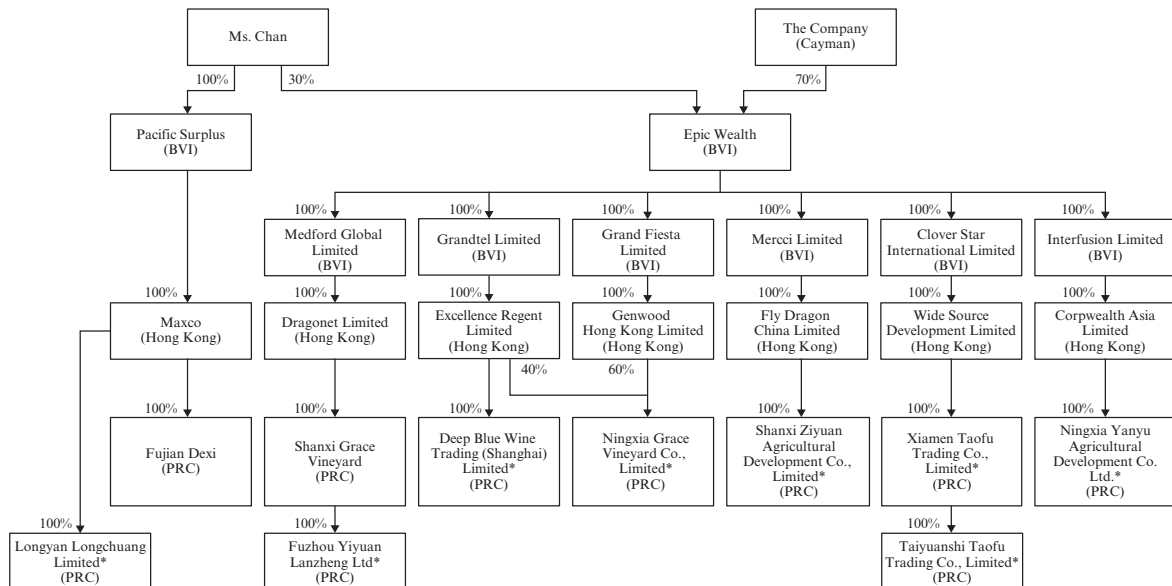
5.4 Shareholding structure assuming the Independent Shareholders approve only the Epic Wealth Disposal but not the Pacific Surplus Disposal

The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Epic Wealth Disposal but not the Pacific Surplus Disposal and immediately after the Epic Wealth Completion:



5.5 Shareholding structure assuming the Independent Shareholders approve the Disposals

The following chart illustrates the shareholding structure assuming the Independent Shareholders approve the Disposals and upon the Pacific Surplus Completion and the Epic Wealth Completion:



6. REASONS FOR THE DISPOSALS

6.1 Reasons and benefits of the disposal of the Distillery Business

Growth of the China whisky and gin industry is slowing down and is facing intense competition ahead

Key whisky brands were first introduced to China more than three decades ago. In recent years, the growth of China's whisky industry experienced a slowdown, according to China Insights Consultancy. Between 2013 and 2018, China's whisky consumption experienced relatively high growth, increasing from approximately 8.0 million litres in 2013 to approximately 13.0 million litres in 2018, representing a CAGR of 10.1%. However, such growth is slowed down between 2018 and 2023, from the consumption of approximately 13.0 million litres in 2018 to approximately 16.6 million litres in 2023, representing a CAGR of 5.0%, and such growth is expected to be further slowed down with an expected consumption of approximately 19.1 million litres in 2028, representing a CAGR of 2.9% from 2023 to 2028, according to China Insights Consultancy.

The whisky industry in China is facing intense competitions. According to China Insights Consultancy, imported whisky brands took up a major share of the Chinese market, which accounted for approximately 60% of China's consumption volume in 2023. New whisky distilleries in China are emerging rapidly. Back in 2019, when the Company first decided to invest in the Distillery Business, there were only a handful of distilleries in China. As at May 2024, there are around 48 whisky distilleries either in production or under construction in China as local and international players look to diversify their offerings with whisky made in China.

As for the gin industry, between 2013 and 2018, China's gin consumption experienced relatively high growth, increasing from approximately 5.6 million litres in 2013 to approximately 6.3 million litres in 2018 and representing a CAGR of 2.3%. However, such growth is slowed down between 2018 and 2023, from the consumption of approximately 6.3 million litres in 2018 to approximately 7.0 million litres in 2023 and representing a CAGR of 2.1%, according to China Insights Consultancy. Such growth is expected to be further slowed down with an expected consumption of approximately 7.5 million litres in 2028, representing a CAGR of 1.4% from 2023 to 2028, according to China Insights Consultancy.

Uncertainty in Group's Distillery Business whilst requires continuous input of working capital

Longyan Distillery, being the Group's first distillery, which principally produces whisky and gin, became fully operational in the first half of 2024. The Group commenced production of whisky in the second half of 2023 and began to sell a new gin series and other new products in the same year. However, the revenue contribution

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of gin has been small and will continue to be insignificant to the Group. The Directors expect the earliest commercial sales of whisky will be in mid-2026, as it takes approximately three years for the whisky to age and be ready for sale in the market. For the year ended 31 December 2023 and the six months ended 30 June 2024, the sale of gin products amounted to nil and RMB11,000, representing nil and approximately 0.07% of the total revenue of the Group for the relevant periods, respectively. However, against the backdrop of an anticipated slowdown in the growth of whisky consumption, an increasingly competitive environment in the whisky industry in China and the fact that the Group's whisky brand will be new to the market, the Directors believe there is significant uncertainty concerning the reception of the Group's whisky by the market, which might ultimately affect the sales performance of the Group's whisky products.

On the other hand, in order to be able to continue to supply whisky to the market, the Distillery Business will require continuous working capital for its production and operation. Management of the Group estimates that production costs of approximately RMB12 million and operating costs of approximately RMB12 million will be required to be incurred annually to produce a stable supply of 228,000 litres of whisky. In addition, the Distillery Business carries outstanding loans of approximately RMB52.39 million in respect of the Project Loan for the construction of the Longyan Distillery and approximately RMB10.00 million in respect of the Credit Line for the daily operation of the Longyan Distillery as at the Latest Practicable Date, for which the Distillery Business is required to make a repayment of RMB3.34 million in 2025 if there is no more drawdown of the loans. The repayment will gradually increase according to the drawdown amount and agreed repayment schedules with the Bank, covering principal and interest until such loans are paid off.

Unexpected delay in the launch of the Distillery Business and the insufficiency of funding support from the Winery Business

The COVID-19 pandemic significantly disrupted the timeline for the construction of the Longyan Distillery, which in turn delayed the product launch of the Distillery Business. Pandemic restrictions, such as lockdowns and social distancing mandates, caused construction projects to slow down or even come to a complete stop. This delay extended the timeline for the Longyan Distillery to become operational. This delay also added time and expenses to the construction of the Longyan Distillery. It was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business which had been a promising segment of the Group in the past. However, COVID-19 and the economic downturn adversely impacted consumer spending on non-essential items like wine, resulting in reduced revenues from the Winery Business. The capacity of the Winery Business to provide funding for the Distillery Business has been adversely affected. Hence, the Directors consider that it is not justified for the Group to continue investing in the Distillery Business given its cost and uncertain future performance.

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Strengthen the Group's financial position and generate immediate value to Shareholders

The Pacific Surplus Consideration amounting to HK\$71,280,000 has been determined based on the (i) independent valuation of the equity value of the Distillery Business, which represents approximately the entire equity valuation of Pacific Surplus; and (ii) and the outstanding amount of the Sale Loan. The Pacific Surplus Completion will relieve the Group from the future capital commitments and the ongoing financing needs of the Distillery Business, which is and will remain in its startup stage in the near future. Shareholders will also immediately benefit from the return of their capital by way of the Pacific Surplus Special Dividend, if approved, which represents (i) approximately 67.3% as at 5 December 2024, date of the announcement of the Company in relation to the Pacific Surplus Disposal; and (ii) approximately 38.1% of the market value of their Shares as at the Latest Practicable Date. In addition, given the valuation of the Pacific Surplus Group was prepared based on asset-based approach which took into account the net assets value of the Pacific Surplus Group, the valuation took into account (i) the initial acquisition costs of RMB13.8 million (equivalent to approximately HK\$15 million) paid by the Company for the acquisition of the Distillery Business in August 2019, which was then determined based on the then net asset value of the Distillery Business; (ii) the subsequent capital injections of approximately RMB78.6 million made by the Group to the Distillery Business as registered capital, including approximately RMB21.8 million from the Company's IPO proceeds in order to facilitate the construction of Longyan Distillery; (iii) the accumulated loss of Pacific Surplus Group of approximately RMB8.8 million as at 30 September 2024; and (iv) the exchange fluctuation reserve loss of Pacific Surplus Group of approximately RMB0.2 million as at 30 September 2024, which were reflected in the net asset value of Pacific Surplus Group as at 30 September 2024. Although the Pacific Surplus Consideration is lower than sum of the initial acquisition costs and subsequent capital injections made by the Group to the Distillery Business, given it is determined based on and supported by the independent valuation of the equity value of the Distillery Business which has reflected the the net asset value of the Distillery Business as at 30 September 2024, and the outstanding amount of the Sale Loan as at 30 September 2024, the Directors are of the view that Pacific Surplus Consideration is fair and reasonable and in the interests of the Company and the shareholders as a whole.

Considerations for disposing the Distillery Business shortly after the commencement of distillery production in the second half of 2023 and the Longyan Distillery became fully operational in the first half of 2024

As abovementioned, it was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business and the Group had contributed large amount of capital to the Distillery Business since its acquisition from time to time. In 2023, the revenue and net profit of the Group, which was primarily generated by Winery

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Business, were RMB65.0 million and RMB10.2 million, respectively. For the first six months of 2024, the Group recorded a revenue of RMB16.6 million and a net loss of RMB3.5 million. Based on its latest management accounts, the Directors do not expect there will be significant improvement on the financial performance of the Group for the year ended 2024. Given the Group turned from profit making to loss making and, as explained below, the short-term prospects of the Winery Business face significant uncertainties, the Directors consider, based on currently available information, that the Winery Business is unlikely to be able to support the future working capital needs of the Whisky Business.

The cash balance of the Distillery Business was RMB1.7 million as of 30 September 2024, which is low. As abovementioned, the Distillery Business will need input of substantial working capital before it is able to generate meaningful revenue. Since the beginning of 2024, the Group has been actively seeking debt financing to support the operation of the Distillery Business. However, the Distillery Business is already exposed to the Project Loan, which has restricted use. Due to lack of substantial sales generated, it is very difficult for the Distillery Business to obtain any other debt financings on reasonable financing term. The Group was only able to obtain the Credit Line of RMB12 million in October 2024, of which RMB10 million was drawn down and used, for the purchase of raw materials for production of whisky and daily operating expenses. The Group has also considered other fundraising activities, including subscription or placing of new shares, rights issues and open offer, but these are also considered difficult due to the low liquidity of the Shares and the low prevailing market price of the Shares.

Having considered (i) China Insights Consultancy's view on the prospects of the whisky and gin industry is expected to be slowed down and uncertain and based on the Board's experience and industry knowledge on the development of the whisky and gin industry, which aligns with China Insights Consultancy's view; (ii) the Winery Business can no longer support the working capital needs of the Distillery Business; and (iii) the difficulties of obtaining financing by the Distillery Business, although the Distillery Business only commenced production and operation over the past year and the products may only be launched after mid-2026, the Directors consider the disposal of the Distillery Business is favourable to the Group and the Shareholders as a whole.

In the case the Pacific Surplus Disposal does not take place, the Group will require additional working capital to maintain the Distillery Business as abovementioned and also to bear the risk of the uncertain prospect of the Distillery Business. To solicit financial resources, the Group may consider debt financing and equity financing. However, debt financing shall incur finance costs and adversely affecting the gearing ratio of the Group, while equity financing shall dilute the shareholding of the Shareholders, and both debt and equity financing are difficult as explained above.

6.2 Reasons and benefits of the disposal of 30% of the Winery Business

The China wine industry might rapidly and adversely affect the Group's Winery Business performance in the near term

The wine industry in China is relatively mature. According to China Insights Consultancy, China now numbers among the top ten global markets for wine. However, in recent years, the popularity of wine in China has been declining and is replaced with a range of alcoholic beverages made from sorghum, millet and fruits such as lychee or plum instead of grapes, according to China Insights Consultancy. In addition to changes in consumer preference, China's economic slowdown has also had a significant impact on the wine market. The decline in domestic demand, compounded by low consumer confidence and reduced discretionary spending, has directly affected wine consumption. As a luxury or non-essential item, wine is particularly vulnerable during economic downturns, leading to lower spending allocations toward purchasing wine. As a result, the wine consumption in China declined from 3,468.7 million litres in 2018 to 2,157.4 million litres in 2023 (representing a negative CAGR of 9.1% from 2018 to 2023) and is expected to further decline to 1,989.6 million litres in 2028 (representing a negative CAGR of 1.6% from 2023 to 2028) according to China Insights Consultancy. The Group's financial performance has been significantly affected by the sluggish wine market in China. The Group's wine sales volume for the first six months of 2024 dropped by approximately 42.8%, with consumers opting for more entry-level wines compared to the same period in 2023. The Group's revenue, which is primarily generated by Winery Business, dropped by approximately 54.5% from RMB36.5 million for the first six months of 2023 to RMB16.6 million for the same period in 2024. This significant drop in sales volume and sales led to a swing from a net profit of approximately RMB5.4 million for the six months ended 30 June 2023 to a net loss of approximately RMB3.5 million for the same period in 2024.

The Directors (including Ms. Chan) remain confident in the prospects of the Winery Business in the long run

The Group will continue to own 70% of the Winery Business following the completion of the Epic Wealth Disposal. The Group has invested significantly in promoting its brand, and the Directors believe that as a result the brand has good value and is well-recognised by consumers. The Directors remain confident in the prospects of the Winery Business in the long run. In the short run, the divestment of 30% of the Winery Business to the controlling shareholder of the Company, Ms. Chan, is considered a prudent move for the Group (i) to share any adverse financial impact or poor performance of the Winery Business, as 30% of the financial results will be borne by Ms. Chan, being a minority shareholder of the Winery Business and holding non-controlling interests in the Winery Business instead of being a Shareholder. In addition, having 30% equity interest of Epic Wealth, Ms. Chan will share the risk associated with the Winery Business with the Company. Once the Winery Business

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faces any challenges, the financial burden will be shared by the Company and Ms. Chan, therefore the risk exposure of the Company on the Winery Business will be reduced; (ii) Ms. Chan is further increasing her equity interest directly in the Winery Business through the Epic Wealth Disposal indicating her confidence in the future prospect in the Winery Business; and (iii) it is Ms. Chan's intention to contribute capital to the Winery Business proportionately based on the percentage of the shareholdings with the Group if and when capital injection is required, which will provide additional resources to meet the Group's funding needs during the sluggish time of the wine market. By this case, the Company may contribute less as compared to being the sole shareholder of the Epic Wealth Group, therefore alleviating the working capital burden of the Group during a market slowdown. However, it is noted that Ms. Chan's current intention to contribute capital is not legally binding on Ms. Chan, and Ms. Chan may decide, based on her then financial capabilities and commercial terms of the transaction, whether to further invest in the Group. As Ms. Chan (together with Mr. Chan Kwan and Sanlion International) has already provided advances of approximately RMB10.8 million to the Group which are non-trade in nature, unsecured, interest-free and repayable on demand, she currently has no intention to provide addition advances to the Group. As Ms. Chan and Ms. Wong, being the substantial Shareholders, in aggregate owns 73.63% of the issued share capital of the Company as at the Latest Practicable Date, any further subscription of new Shares by them to provide fundings to the Company will cause the Company to breach the 25% public float rule under Rule 11.23(7) of the GEM Listing Rules. It is not feasible for Ms. Chan to provide fundings to the Company by way of equity financing over its Shares. Therefore, it is only practical for Ms. Chan to provide equity financing to the Winery Business directly at the Epic Wealth level should it needs so in the future.

Generate immediate value to Shareholders

The Epic Wealth Consideration amounting to HK\$38,880,000 was determined based on the independent valuation of the equity value of the Winery Business performed by the Valuer, which represents approximately 30% of the entire equity valuation of Epic Wealth. The Epic Wealth Completion will allow Shareholders to immediately benefit from the return of their capital by way of the Epic Wealth Special Dividend, if approved, which accounts for (i) approximately 36.7% of the market value of their Shares as at 5 December 2024, date of the announcement of the Company in relation to the Epic Wealth Disposal; and (ii) approximately 20.8% of the market value of their Shares as at the Latest Practicable Date, while retaining their equity investment in the Company and the Company's position as the majority owner of the Winery Business.

Since its incorporation, Epic Wealth has not distributed any dividends to its shareholders. Since the listing of the Group, the Winery Business did not distribute any dividends to the Company. It is expected that Epic Wealth will provide fundings to the Company in order to settle the administrative and other expenses derived from

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its daily operation by way of advances from dividends received from the Winery Business. The Epic Wealth Group currently does not have any dividend payment plan.

The Group has also considered debt financing and equity financing. The Winery Business does not hold any significant assets which are provided to any financial institutions as collateral, and it would be difficult to raise funds through debt financing. As for equity financing, the Group has considered various options of fundraising activities including subscription or placing of new shares, rights issues and open offer, but these are also considered difficult due to the low liquidity of the Share and the low prevailing market price of the Share.

By generating liquidity through the Disposals, the Epic Wealth Group may reduce its reliance on borrowing, which would otherwise increase interest expenses and further strain its financial position. After the Disposals, Ms. Chan may inject additional resources (financial or operational support) to protect her increased stake, thereby indirectly supporting the operations of the Winery Business.

In the case of the Epic Wealth Disposal does not take place, the Directors consider the Winery Business will still be sustainable though the Group will have to meet all the working capital needs and will bear the full risk of fluctuation in the financial position of the Winery Business.

6.3 Overall benefit to the Group and the Independent Shareholders

In totality, the Directors consider that the disposals of the Distillery Business and 30% of the Winery Business represent good opportunities for the Group to enhance its financial and working capital position and allow for the Group to refocus its resources on the Winery Business, which will be the Group's remaining principal business. As (i) only the Epic Wealth Disposal takes place and after distribution of the Epic Wealth Special Dividend, HK\$1.5 million of the net proceeds will be remained as general working capital of the Group, representing approximately 4.8% of cash and cash equivalents and 1.1% of the current assets of the Group as at 30 June 2024; (ii) only the Pacific Surplus Disposal takes place and after distribution of the Pacific Surplus Special Dividend, HK\$5.5 million of the net proceeds will be remained as general working capital of the Group, representing approximately 17.4% of cash and cash equivalents and 4.0% of the current assets of the Group as at 30 June 2024; and (iii) the Disposals take place and after distribution of the Special Dividends, HK\$10.0 million of the net proceeds will be remained as general working capital of the Group, representing approximately 31.7% of cash and cash equivalents and 7.2% of the current assets of the Group as at 30 June 2024 and covered the net cash flow used in operating activities of the Group for the year ended 31 December 2023, the net proceeds to be kept as the Group's working capital may not be material to the financial position of the Group, but it will still strengthen the financial and working capital position of the Group. Having considered (a) the cash and cash equivalents of approximately RMB31.6 million of the Group as at 30 June 2024 and the banking facility of RMB5 million available to the Winery Business as at the Latest Practicable Date; and

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(b) the remaining net proceeds from the Disposals of approximately HK\$10.0 million (i.e. the net proceeds after the distribution of the Special Dividends) will help to strengthen the working capital for and sufficient for the operation of the Winery Business in 2025.

As stated above, the wine industry is currently affected by the sluggish Chinese economy and disposal of 30% of the Winery Business can allow Ms. Chan to share the short term financial burden of the Winery Business.

As approximately 90.6% of the net proceeds from the Disposals will be declared and be paid to the Shareholders by way of the Special Dividends, if approved, and taking into account the “net-off” arrangement in respect of Pacific Surplus Special Dividend and Epic Wealth Special Dividend with Ms. Chan and the Group, the Disposals can be viewed as a “partial privatisation” of the Distillery Business and 30% of the Winery Business by Ms. Chan. Based on the latest issued share capital of the Company, the Special Dividends per Share will be up to HK\$12.058 cents if the Disposals proceed to completion, representing an increase of approximately 3.95% of the last trading price of the Shares as at 5 December 2024, being the date of entering into of the Pacific Surplus Agreement and Epic Wealth Agreement. The share price of the Company has generally decreased since the beginning of January 2024, falling from HK\$0.156 per Share as of 2 January 2024 to HK\$0.116 per Share as at 5 December 2024, being the date of entering into of the Pacific Surplus Agreement and Epic Wealth Agreement (a drop of approximately 25.6%) with minimal trading liquidity, which the Directors consider reflects a pessimistic view of investors and shareholders of the Company’s prospects.

The Directors are of the view that the Disposals, together with the distribution of the Special Dividends, will allow shareholders to realise part of their investments in the Company at an attractive premium over the prevailing market valuation of the Shares and help to restore investor confidence in the Company.

Going forward, the Company will periodically review the performance and prospects of its Winery Business, conduct its Winery Business with a view to maximising the return to its Shareholders taking into account resources available to the Group and explore and consider other business opportunities should they become available.

Furthermore, upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi. As such, Fujian Dexi has commenced discussions with the Bank for the release of the Project Loan Guarantee and the Credit Line Guarantee. Such releases will take time to negotiate and finalise. Moreover, the releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as

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security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee.

On the basis of the above, the Board considers that the terms of the Epic Wealth Agreements and the Pacific Surplus Agreements (including the Epic Wealth Consideration and the Pacific Surplus Consideration) and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the entering into of the Epic Wealth Agreements and the Pacific Surplus Agreements are in the interests of the Company and its Shareholders as a whole.

7. CREDIT ASSESSMENT OF MS. CHAN

As the Pacific Surplus Completion will only take place if the Pacific Surplus Special Dividend is approved by the Independent Shareholders at the EGM and the Epic Wealth Completion will only take place if the Epic Wealth Special Dividend is approved by the Independent Shareholders at the EGM, the total consideration (after netting off the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend that Macmillan Equity, Palgrave Enterprises and Ms. Wong are entitled to receive) that Ms. Chan will need to pay will amount to approximately HK\$39.08 million assuming the Disposals are approved by the Independent Shareholders at the EGM. The Board has reviewed a latest bank letter provided by Ms. Chan which shows that she has sufficient funds to cover the net consideration for the Disposals.

See also “– 2. Pacific Surplus Disposal – 2.6 The Share Pledge Agreement” of this letter for details about the latest information of the Guarantee Releases.

8. FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSALS

Upon the Pacific Surplus Completion, the Pacific Surplus Group will cease to be subsidiaries of the Company, and the financial results of the Pacific Surplus Group will cease to be consolidated in the financial statements of the Group. As a result of the Pacific Surplus Disposal, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss for the year ended 31 December 2024, calculated on the basis of the difference between the Pacific Surplus Consideration, the unaudited net asset value of Pacific Surplus Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal. According to Appendix III to this circular, assuming the Pacific Surplus Disposal has been completed on 30 June 2024, the Group will record an estimated decrease in assets and liabilities of approximately RMB81.7 million and RMB55.8 million, respectively.

Upon the Epic Wealth Completion, the Company will hold 70% of the total issued shares of Epic Wealth. As such, the Epic Wealth Group will remain as subsidiaries of the Company, and the financial results of Epic Wealth Group will continue to be consolidated in the financial statements of the Group upon the Epic Wealth Completion. As a result of the Epic Wealth

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Disposal standalone, it is expected that the Group will recognise a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ended 31 December 2024, calculated on the basis of the difference between the Epic Wealth Consideration, the unaudited net asset value of Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Epic Wealth Disposal. According to Appendix III to this circular, assuming the Epic Wealth Disposal has been completed on 30 June 2024, the Group will record an estimated increase in assets and liabilities of approximately RMB33.2 million and RMB3.9 million, respectively.

In the case of the completion of both Disposals, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss and a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ended 31 December 2024, calculated on the basis of the difference between the sum of Pacific Surplus Consideration and Epic Wealth Consideration, the unaudited net asset values of Pacific Surplus Group and Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal and Epic Wealth Disposal. According to Appendix III to this circular, assuming the Disposals have been completed on 30 June 2024, the Group will record an estimated decrease in assets and liabilities of approximately RMB45.7 million and RMB55.8 million, respectively.

The aforesaid financial impact is shown for illustrative purpose only and does not purport to represent the financial position of the Group after the Pacific Surplus Completion and the Epic Wealth Completion. The actual financial effect of the Disposals will be determined with reference to the financial status of Pacific Surplus Group and Epic Wealth Group as at the date of the Pacific Surplus Completion and the Epic Wealth Completion, respectively.

The table below shows the amount of gross proceeds, amount of net proceeds and the use of net proceeds under different scenarios of (i) both Disposals take place; (ii) only the Pacific Surplus Disposal takes place; and (iii) only the Epic Wealth Disposal takes place:

	Both Disposals take place	Only the Pacific Surplus Disposal takes place	Only the Epic Wealth Disposal takes place
Gross proceeds	HK\$110.16 million	HK\$71.28 million	HK\$38.88 million
Net proceeds (after deducting transaction costs and professional expenses)	approximately HK\$106.5 million	approximately HK\$67.9 million	approximately HK\$35.5 million

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	Both Disposals take place	Only the Pacific Surplus Disposal takes place	Only the Epic Wealth Disposal takes place
Use of net proceeds	(i) approximately HK\$10.0 million, representing approximately 9.4% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$96.5 million, representing approximately 90.6% of the net proceeds, will be used for distribution of the Special Dividends	(i) approximately HK\$5.5 million, representing approximately 8.1% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$62.5 million, representing approximately 91.9% of the net proceeds, will be used for distribution of the Pacific Surplus Special Dividend	(i) approximately HK\$1.5 million, representing approximately 4.1% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$34.1 million, representing approximately 95.9% of the net proceeds, will be used for distribution of the Epic Wealth Special Dividend

Note: The declaration and distribution of the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend is/are subject to the fulfillment of any applicable conditions (including the Independent Shareholders having approved the Pacific Surplus Disposal and the distribution and payment of the Pacific Surplus Special Dividend, and/or the Epic Wealth Disposal and the distribution and payment of the Epic Wealth Special Dividend at the EGM).

9. PROPOSED DECLARATION AND PAYMENT OF SPECIAL DIVIDENDS

As disclosed in the Announcements, the Board had approved the declaration of the Pacific Surplus Special Dividend (being HK7.802 cents per Share) and the Epic Wealth Special Dividend (being HK4.256 cents per Share) subject to the following requisite conditions.

9.1 Conditions of the proposed declaration and payment of the Special Dividends

The proposed declaration and payment of the Pacific Surplus Special Dividend and Epic Wealth Special Dividend, respectively, is conditional upon the satisfaction of the following conditions:

- (a) for the Pacific Surplus Special Dividend, the passing of resolution by the Independent Shareholders at the EGM approving the Pacific Surplus Agreements and the transactions contemplated thereunder (including the Pacific Surplus Disposal) and the declaration and payment of the Pacific Surplus Special Dividend, and the Pacific Surplus Completion having taken place;

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- (b) for the Epic Wealth Special Dividend, the passing of resolution by the Independent Shareholders at the EGM approving the Epic Wealth Agreements and the transactions contemplated thereunder (including the Epic Wealth Disposal) and the declaration and payment of the Epic Wealth Special Dividend, and the Epic Wealth Completion having taken place;
- (c) as payment of the Pacific Surplus Consideration and the Epic Wealth Consideration will be net of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively to be received by Ms. Chan, Macmillan Equity, Palgrave Enterprises and Ms. Wong, the Directors being satisfied as at the Pacific Surplus Completion and/or the Epic Wealth Completion, respectively, that there are no reasonable grounds for believing that the Company is, or would after the date on which the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend is paid be, unable to pay its liabilities as they become due, or the realisable value of the Company's assets would thereby be less than its liabilities; and
- (d) the Company having complied with all requirements under the laws of the Cayman Islands, the articles and association of the Company, and the GEM Listing Rules regarding the proposed payment of Special Dividend.

The conditions above cannot be waived. If the conditions are not satisfied, the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend will not be paid. As at the Latest Practicable Date, none of the conditions above have been fulfilled.

9.2 Reasons for the proposed payment of the Special Dividends

As set out under “6. Reasons for the Disposals” of this circular, Shareholders will also immediately benefit from the return of their capital by way of Pacific Surplus Special Dividend which represents (i) approximately 67.3% as at 5 December 2024, date of the announcement of the Company in relation to the Pacific Surplus Disposal; and (ii) approximately 38.1% of the value of their Shares as at the Latest Practicable Date. The Epic Wealth Disposal, if completed, will allow Shareholders to immediately benefit from the return of their capital by way of Epic Wealth Special Dividend, which accounts for (i) approximately 36.7% of the value of their Shares as at 5 December 2024, date of the announcement of the Company in relation to the Epic Wealth Disposal; and (ii) approximately 20.8% of the value of their Shares as at the Latest Practicable Date, while retaining their equity investment in the Company and the Company's position as the majority owner of the Winery Business.

After taking into account a number of factors including (i) the cash and cash equivalents of the Group of approximately RMB41.9 million as at 31 December 2023; and (ii) the Remaining Group having no bank borrowings and loans after the Pacific Surplus Completion and Epic Wealth Completion (except for the amount due to shareholders of approximately RMB10.7 million), the Board considers that the Remaining Group has

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sufficient working capital upon the Pacific Surplus Completion and the Epic Wealth Completion to maintain its operation and accordingly, it is appropriate to propose the payment of Special Dividend to recognise the Shareholders' support. The Board considers such arrangement to be in the interests of the Company and its Shareholders as a whole. The Special Dividends will allow Shareholders to immediately realise substantial value from their shareholdings in the Company. If the Pacific Surplus Disposal or the declaration and payment of the Pacific Surplus Special Dividend is not approved by the Independent Shareholders, the Pacific Surplus Special Dividend will not be declared or paid. Similarly for the Epic Wealth Special Dividend, if the Epic Wealth Disposal or the declaration and payment of the Epic Wealth Special Dividend is not approved by the Independent Shareholders, the Epic Wealth Special Dividend will not be declared or paid.

The Board believes that the payment of the Special Dividends will not have any material adverse effect on the underlying assets, business, operations or financial position of the Group and do not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

As the distribution and payment of each of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend are subject to the conditions as set out in “– 9. Proposed declaration and payment of Special Dividends – 9.1 Conditions of the proposed declaration and payment of the Special Dividends” in this letter, the Pacific Surplus Special Dividend will only be distributed and paid if the Pacific Surplus Completion has taken place, and the Epic Wealth Special Dividend will only be distributed and paid if the Epic Wealth Completion has taken place.

Subject to the fulfillment of the above conditions, the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend will be paid to the Shareholders as soon as practicable after the Pacific Surplus Completion and the Epic Wealth Completion, respectively. The Company will announce further details with regard to (i) whether the Pacific Surplus Completion has taken place and if so, the book closure date, record date and payment date of the Pacific Surplus Special Dividend; and (ii) whether the Epic Wealth Completion has taken place and if so, the record date and payment date of the Epic Wealth Special Dividend.

10. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in the Cayman Islands and its Shares are listed on GEM of the Stock Exchange. The Company is an investment holding company.

The Group is an award-winning, established wine maker based in Shanxi Province, PRC. Since commencing operations in 1997, the Group has been committed to making quality, value for money wine, catering to a wide range of customer taste and pricing preferences. The Group's portfolio of wine products targets at various consumers, from executive clientele and corporate customers with higher spending power to the more price-conscious mass market.

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11. INFORMATION ON MS. CHAN

Ms. Chan is the Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company.

12. INFORMATION ON PACIFIC SURPLUS GROUP AND EPIC WEALTH GROUP

12.1 Pacific Surplus Group

Pacific Surplus is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. As at the Latest Practicable Date, Pacific Surplus Group wholly-owns Fujian Dexi and is principally engaged in the Distillery Business, which includes, among others, the production of whisky and the production and sale of gin products through the Longyan Distillery located in Longyan City, Fujian Province, PRC.

Set out below is the financial information of Pacific Surplus Group assuming the Fujian Dexi Reorganisation is completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards:

	Financial year ended 31 December 2023 (RMB million) (Unaudited)	Financial year ended 31 December 2022 (RMB million) (Unaudited)
Net loss before taxation	0.04	1.60
Net loss after taxation	0.04	1.60

As at 30 September 2024, assuming the Fujian Dexi Reorganisation is completed, Pacific Surplus Group had unaudited net assets of approximately RMB83.1 million.

As at 30 September 2024, based on the Valuation Report, the entire equity interest of the Pacific Surplus Group has an appraised fair value (adopting the asset-based approach) of approximately HK\$60,480,000.

12.2 Epic Wealth Group

Epic Wealth is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. Epic Wealth Group, upon completion of the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation, is principally engaged in the Winery Business, which includes production and distribution of wine products, planting of vines and sale of wine grapes.

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Set out below is the financial information of Epic Wealth Group assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation are completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards:

	Financial year ended 31 December 2023 (RMB million) (Unaudited)	Financial year ended 31 December 2022 (RMB million) (Unaudited)
Net profit before taxation	13.44	4.68
Net profit after taxation	12.18	3.20

As at 30 September 2024, assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation are completed, Epic Wealth Group had unaudited net assets of approximately RMB169.2 million.

As at 30 September 2024, based on the Valuation Report, the 30% equity of Epic Wealth Group has an appraised fair value (adopting the market approach) of approximately HK\$38,880,000.

13. GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Epic Wealth Agreement pursuant to Rule 19.22 of the GEM Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Epic Wealth Agreement on a standalone basis constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. However, as the Pacific Surplus Agreement and the Epic Wealth Agreement are entered into on the same date, the parties to the Pacific Surplus Agreement and Epic Wealth Agreement are the same and such transactions are similar in nature, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement are therefore aggregated pursuant to Rule 19.22 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement in aggregate pursuant to Rule 19.22 of the GEM

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Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement constitute very substantial disposals of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As Ms. Chan is the Chairlady, an executive Director, the chief executive officer and a controlling shareholder of the Company and therefore a connected person of the Company, the transactions contemplated under each of the Pacific Surplus Agreements and the Epic Wealth Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and therefore, on an aggregated basis pursuant to Rule 20.79 of the GEM Listing Rules, are therefore subject to, among others, the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the Project Loan Guarantee and the Credit Line Guarantee are for a fixed period with fixed terms, such continuing transactions will subsequently become connected transactions of the Company upon the Pacific Surplus Completion. The Company will comply with Rule 20.58 of the GEM Listing Rules requirement if the agreements relating to the Project Loan Guarantee and the Credit Line Guarantee are subsequently renewed, or their terms varied, to comply with all connected transaction requirements.

The transactions contemplated under the Deed of Indemnity and Share Pledge Agreement constitute financial assistance provided by a connected person of the Company. As the transactions contemplated under the Deed of Indemnity and Share Pledge Agreement will be conducted on normal commercial terms or better, and are not secured by the assets of the Group, pursuant to Rule 20.88 of the GEM Listing Rules, they are fully exempted from the reporting, announcement, circular and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

Ms. Chan, Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company, is considered to have a material interest in the Disposals and has abstained from voting on the resolutions in connection with the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements. Save as disclosed above, none of the Directors who voted in the Board meeting has a material interest in the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements.

Furthermore, pursuant to the GEM Listing Rules, any Shareholder with a material interest in the Disposals will abstain from voting in the EGM. Therefore, Macmillan Equity, which is wholly-owned by Ms. Chan and directly holds 411,350,000 Shares, representing approximately 51.38% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM on the resolutions in relation to the transactions contemplated under (i) the Pacific Surplus Agreements, and declaration and payment of the Pacific Surplus Special Dividend; and (ii) the Epic Wealth Agreements, and declaration and payment of the Epic Wealth Special Dividend. Furthermore, as Ms. Wong is the mother of Ms. Chan, (i) Palgrave Enterprises, which is wholly-owned by Ms. Wong and directly holds 173,180,000 Shares, representing approximately 21.63% of the issued share capital of the Company as at the Latest

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Practicable Date; and (ii) Ms. Wong who directly holds 4,950,000 Shares, representing approximately 0.62% of the issued share capital of the Company in her capacity as a beneficial owner, have voluntarily agreed to abstain from voting at the EGM on the same resolutions. Save as disclosed above, to the best knowledge of the Directors, no Shareholders would be required to abstain from voting on the relevant resolutions in relation to the transactions contemplated under (i) the Pacific Surplus Agreements, and declaration and payment of the Pacific Surplus Special Dividend; and (ii) the Epic Wealth Agreements, and declaration and payment of the Epic Wealth Special Dividend.

14. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy) has been formed to advise the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement. A letter from the Independent Board Committee is set out on pages 63 to 64 of this circular.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. A letter from the Independent Financial Adviser is set out on pages 65 to 112 of this circular.

15. EGM

The Company will convene an EGM to approve the transactions contemplated under (i) the Pacific Surplus Agreements, and declaration and payment of the Pacific Surplus Special Dividend; and (ii) the Epic Wealth Agreements, and declaration and payment of the Epic Wealth Special Dividend. A notice convening the EGM to be held at Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on Wednesday, 19 February 2025 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

16. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 14 February 2025 to Wednesday, 19 February 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant

LETTER FROM THE BOARD

Share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 13 February 2025.

17. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee, but excluding Ms. Chan who has abstained from voting on the relevant Board resolutions) consider that although the Disposals were not made in the ordinary and usual course of business of the Group, having considered the reasons and benefits of the Disposals as set out under “6. Reasons for the Disposals” above, are of the view that the terms of the Pacific Surplus Agreements and the Epic Wealth Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors, but excluding the Directors who have abstained from voting on the relevant Board resolutions) recommend all the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Pacific Surplus Agreements and the Epic Wealth Agreements and the transactions contemplated thereunder.

The Board (excluding Ms. Chan who has abstained from voting on the relevant Board resolutions) considers that the proposed declaration and payment of Special Dividends are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the proposed declaration, distribution and payment of Special Dividends.

Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolutions as set out in the notice of EGM on page EGM-1 to EGM-3 of this circular.

18. TRADING CAUTION

Completion of each of the Pacific Surplus Disposal and the Epic Wealth Disposal is subject to the Independent Shareholders’ approval at the EGM and the satisfaction of the conditions precedent under the Pacific Surplus Agreements and the Epic Wealth Agreements, respectively. Therefore, the Pacific Surplus Disposal and the Epic Wealth Disposal may or may not proceed. The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved. The Pacific Surplus Completion and the Epic Wealth Completion are subject to conditions including, among others, the declaration and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, having been approved by the Independent Shareholders at the EGM. The Pacific Surplus Disposal and the Epic Wealth Disposal will not proceed (even if approved by the Independent Shareholders) if the Pacific Surplus Special Dividend and

LETTER FROM THE BOARD

the Epic Wealth Special Dividend, respectively, are not approved by the Independent Shareholders.

Furthermore, as each of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend will be subject to the requisite conditions including (i) the Pacific Surplus Completion and the Epic Wealth Completion, respectively, have taken place; and (ii) the approval of the Independent Shareholders at the EGM, the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend may or may not be declared and paid. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

19. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours Faithfully,

By order of the Board

Grace Wine Holdings Limited

Judy Chan

Chairlady, Chief Executive Officer and Executive Director

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Pacific Surplus Agreement and the Epic Wealth Agreement and the transactions as contemplated thereunder for inclusion in this circular.

GRACE
VINEYARD

Grace Wine Holdings Limited
怡園酒業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8146)

24 January 2025

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSALS AND CONNECTED TRANSACTIONS
IN RELATION TO THE PACIFIC SURPLUS DISPOSAL AND
THE EPIC WEALTH DISPOSAL**

We refer to the circular of the Company dated 24 January 2025 (the “**Circular**”) of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Pacific Surplus Agreements and the Epic Wealth Agreements and the transactions as contemplated thereunder, the details of which are set out in the Circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the opinion of the Independent Financial Adviser, we are of the view that the Disposals, though not in the ordinary and usual course of business of the Group, is, considered separately and together, in the interests of the Company and the Shareholders as a whole, and that the terms of the Pacific Surplus Agreements and the Epic Wealth Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to approve the relevant resolutions to be proposed at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information as set out in the appendices to the Circular.

Yours faithfully,
Independent Board Committee of
Grace Wine Holdings Limited

Mr. Ho Kent Ching-tak

Mr. Lim Leung Yau Edwin
Independent Non-executive Directors

Mr. Alec Peter Tracy

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Disposals.



Somerley Capital Limited
20th Floor
China Building
29 Queen's Road Central
Hong Kong

24 January 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSALS AND CONNECTED TRANSACTIONS IN RELATION TO THE PACIFIC SURPLUS DISPOSAL AND THE EPIC WEALTH DISPOSAL

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposals. Details of the Disposals are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 24 January 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 December 2024 (after trading hours) the Company (as seller) and Ms. Chan (as purchaser) entered into the Pacific Surplus Agreement, pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, representing the entire issued share capital of Pacific Surplus, as well as the Sale Loan, for the Pacific Surplus Consideration, which amounts to HK\$71,280,000. Subsequently on 21 January 2025, the Company and Ms. Chan entered into the Pacific Surplus Supplemental Agreement to amend the conditions precedent to the Pacific Surplus Completion to provide that the Pacific Surplus Disposal will only proceed (even if approved by the Independent Shareholders) if the Pacific Surplus Special Dividend is approved by the Independent Shareholders. The payment of the Pacific Surplus Consideration to be paid by Ms. Chan will be net of any Pacific Surplus Special Dividend that Ms. Chan, Palgrave Enterprises and Ms. Wong are entitled to receive.

On 5 December 2024 (after trading hours), the Company (as seller) and Ms. Chan (as purchaser) also entered into the Epic Wealth Agreement, pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Epic Wealth

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sale Shares, representing 30% of the issued share capital of Epic Wealth, at the Epic Wealth Consideration, which amounts to HK\$38,880,000. Subsequently on 21 January 2025, the Company and Ms. Chan entered into the Epic Wealth Supplemental Agreement to amend the conditions precedent to the Epic Wealth Completion to provide that the Epic Wealth Disposal will only proceed (even if approved by the Independent Shareholders) if the Epic Wealth Special Dividend is approved by the Independent Shareholders. The payment of the Epic Wealth Consideration to be paid by Ms. Chan will be net of any Epic Wealth Special Dividend that Ms. Chan, Palgrave Enterprises and Ms. Wong are entitled to receive.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreements pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreements constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Epic Wealth Agreements pursuant to Rule 19.22 of the GEM Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Epic Wealth Agreements on a standalone basis constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. However, as the Pacific Surplus Agreements and the Epic Wealth Agreements are entered into on the same date, the parties to the Pacific Surplus Agreements and Epic Wealth Agreements are the same and such transactions are similar in nature, the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements are therefore aggregated pursuant to Rule 19.22 and Rule 20.79 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements in aggregate pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy) has been formed to advise the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company, Ms. Chan or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence as the Independent Financial Adviser. In the past two years prior to this appointment, there was no engagement between the Group and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Ms. Chan or their respective core connected persons or associates. Accordingly, we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules and are considered eligible to give independent advice on the Disposals.

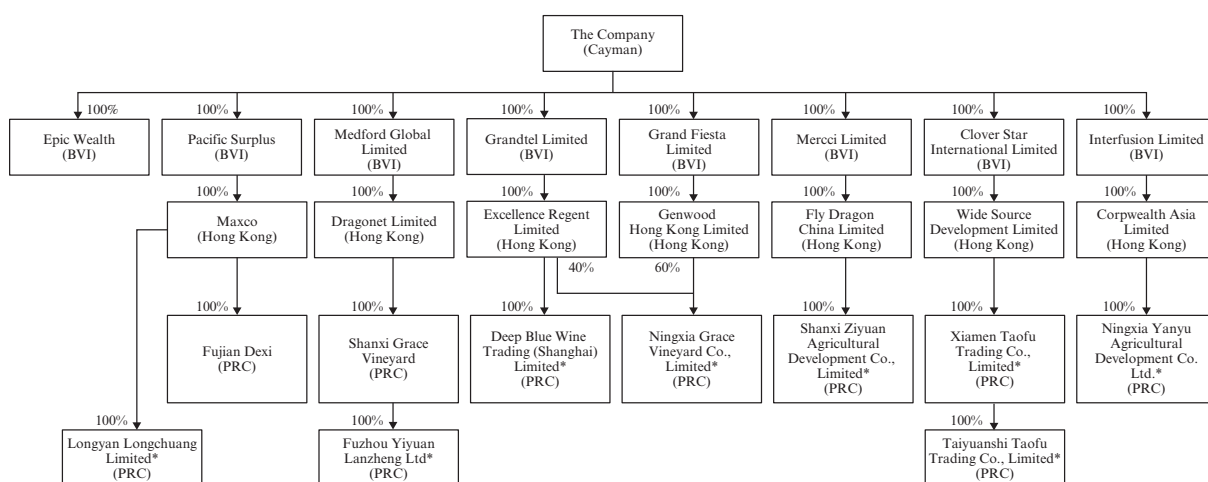
In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, among other things, (i) the annual reports of the Company for the years ended 31 December 2022 and 2023 (“**FY2022**” and “**FY2023**”) (the “**2022 Annual Report**” and “**2023 Annual Report**” respectively) and the interim report of the Company for the six months ended 30 June 2024 (“**1H2024**”) (the “**2024 Interim Report**”); (ii) the Announcements; (iii) the Valuation Report; and (iv) other information contained in the Circular. We also have sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Company, Ms. Chan or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and Shareholders will be informed of any material change as soon as possible.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

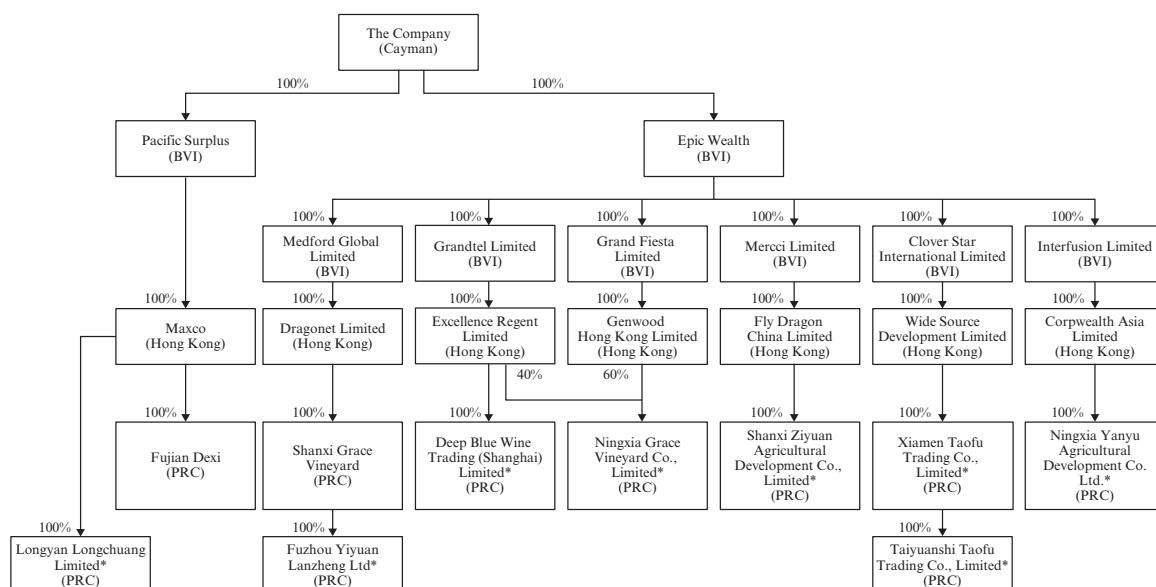
PRINCIPAL TERMS OF THE DISPOSALS

The Disposals consist of (i) the Pacific Surplus Disposal, being the proposed disposal by the Company of the entire issued share capital of Pacific Surplus pursuant to the Pacific Surplus Agreements; and (ii) the Epic Wealth Disposal, being the proposed disposal by the Company of 30% of the issued share capital of Epic Wealth pursuant to the Epic Wealth Agreements. The following charts illustrates the shareholding structure of the Group under different scenarios:

- (a) The following chart illustrates the shareholding structure of the Group as at the Latest Practicable Date:

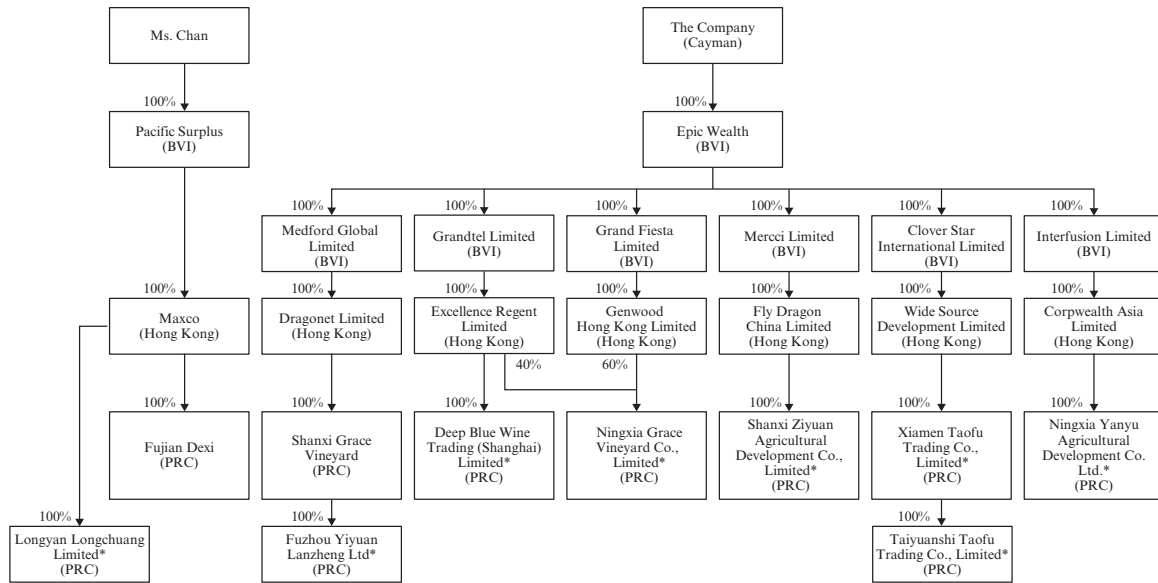


- (b) The following chart illustrates the shareholding structure of the Group immediately after the Epic Wealth Reorganisation but before the Disposals:

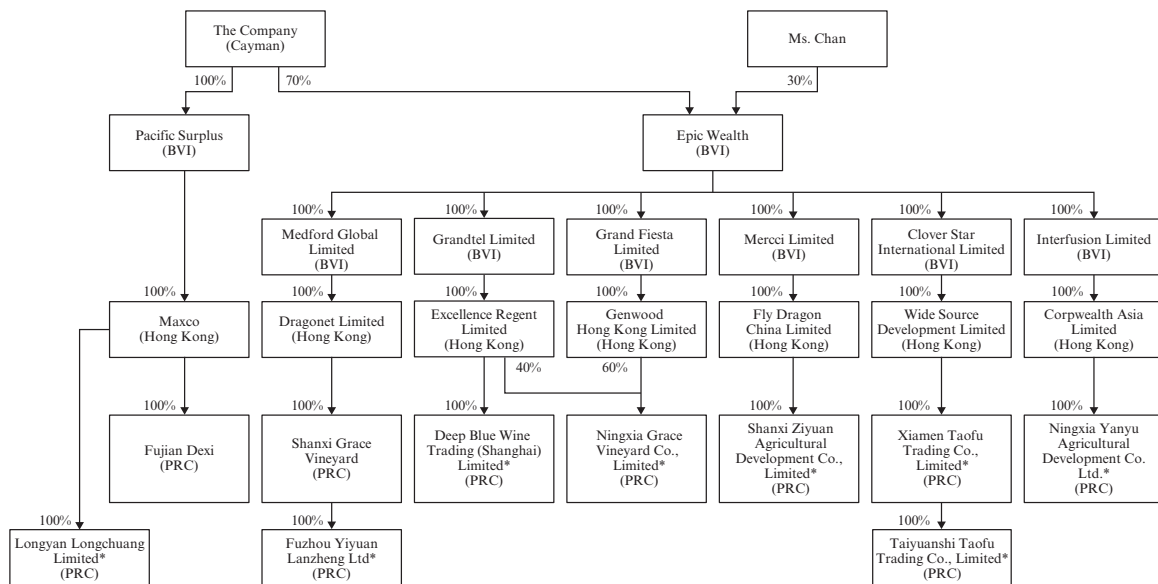


LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Pacific Surplus Disposal but not the Epic Wealth Disposal and immediately after the Pacific Surplus Completion:

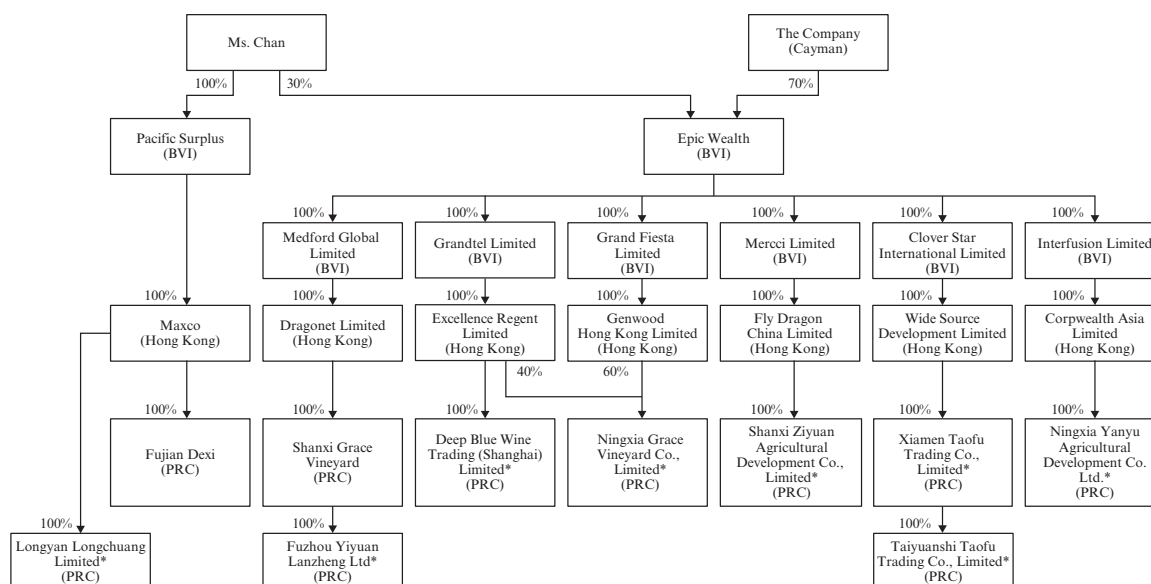


- (d) The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Epic Wealth Disposal but not the Pacific Surplus Disposal and immediately after the Epic Wealth Completion:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) The following chart illustrates the shareholding structure assuming the Independent Shareholders approve the Disposals and upon the Pacific Surplus Completion and the Epic Wealth Completion:



PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information about the Group

1.1 Principal business of the Group

The Company was incorporated in the Cayman Islands and its Shares are listed on GEM of the Stock Exchange. The Company is an investment holding company.

The Group is an award-winning, established wine maker based in Shanxi Province, PRC. Since commencing operations in 1997, the Group has been committed to making quality, value for money wine, catering to a wide range of customer taste and pricing preferences. The Group's portfolio of wine products targets at various consumers, from executive clientele and corporate customers with higher spending power to the more price-conscious mass market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial performance of the Group

Set out in the table below is a summary of the Group's financial performance for FY2022 and FY2023 and the six months ended 30 June 2023 ("1H2023") and 1H2024.

	1H2024	1H2023	FY2023	FY2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	16,583	36,471	64,985	62,119
Gross profit	13,745	26,221	47,645	36,460
(Loss)/Profit before tax	(2,425)	8,179	11,461	887
(Loss)/Profit for the period/year	(3,531)	5,400	10,220	(598)

The following sets forth the key operational data of the Group for FY2022, FY2023, 1H2023 and 1H2024 as extracted from the 2023 Annual Report and 2024 Interim Report:

	1H2024	1H2023	FY2023	FY2022
Number of bottles sold	206,000	360,000	738,000	827,000
– Sales volume % of high-end wines	21.4%	35.9%	35.2%	22.7%
– Sales volume % of entry-level wines	78.6%	64.1%	64.8%	77.3%
Average selling price per bottle (RMB)	80.6	101.4	88.1	75.1

1H2024 vs 1H2023

As stated in the 2024 Interim Report, the Group's revenue decreased by approximately 54.5% from approximately RMB36.5 million for 1H2023 to approximately RMB16.6 million for 1H2024 as a result of the decrease in total sales volume of both entry-level wines and high-end wines. The Group's overall gross profit decreased by approximately 47.6% from approximately RMB26.2 million for 1H2023 to approximately RMB13.7 million for 1H2024, primarily due to the decrease in total sales of both entry-level wines and high-end wines. The Group's overall gross profit margin increased from approximately 71.9% for 1H2023 to approximately 82.9% for 1H2024. Such increase was due to the lower level of per unit costs allocated to each unit of wine sold in 1H2024, reflecting the higher historical production scale of the wine sold in 1H2024. The Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

turned from a net profit of approximately RMB5.4 million to a net loss of approximately RMB3.5 million mainly as a result of the aforementioned decrease in revenue.

FY2023 vs FY2022

As stated in the 2023 Annual Report, the Group's revenue increased by approximately 4.6% from approximately RMB62.1 million for FY2022 to approximately RMB65.0 million for FY2023 as a result of the increase in sales of high-end wines. The Group's overall gross profit increased by approximately 30.7% from approximately RMB36.5 million for FY2022 to approximately RMB47.6 million for FY2023, primarily due to the increase in total sales of high-end products. The Group's overall gross profit margin also increased from approximately 58.7% for FY2022 to approximately 73.3% for FY2023. The Group turned from a net loss of approximately RMB0.6 million for FY2022 to a net profit of approximately RMB10.2 million for FY2023 mainly as a result of the aforementioned increase in revenue and gross profit.

1.3 Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2022, 2023 and 30 June 2024.

	As at 30 June	As at 31 December	
	2024	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)
Non-current assets			
Property, plant and equipment	165,191	159,092	135,987
Right-of-use assets	20,950	21,856	23,395
Goodwill	4,087	4,087	4,087
Prepayments for acquisition of plant and equipment	–	–	1,655
Equity investment designated at fair value through other comprehensive income	1,000	1,000	–
Deferred tax assets	4,056	5,105	5,242
	195,284	191,140	170,366

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2024 (RMB'000) (Unaudited)	As at 31 December 2023 (RMB'000) (Audited)	2022 (RMB'000) (Audited)
Current assets			
Inventories	90,071	82,176	71,132
Biological assets	2,133	–	–
Trade receivables	717	924	1,592
Prepayments, deposits and other receivables	14,065	15,087	14,378
Cash and cash equivalents	31,555	41,870	73,367
	138,541	140,057	160,469
Current liabilities			
Trade payables	83	5	174
Other payables and accruals	20,170	22,560	41,096
Interest-bearing bank borrowings	1,305	2,000	8,000
Lease liabilities	41	37	259
Tax payables	643	1,054	2,250
	22,242	25,656	51,779
Non-current liabilities			
Interest-bearing bank borrowings	42,187	32,667	17,320
Lease liabilities	2,144	2,215	2,349
Deferred tax liabilities	3,731	3,839	3,116
	48,062	38,721	22,785
Equity			
Issued capital	675	675	675
Reserves	262,846	266,145	255,596
	263,521	266,820	256,271

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2024, total assets of the Group was approximately RMB333.8 million, mainly comprised of (i) property, plant and equipment of approximately RMB165.2 million; (ii) inventories of approximately RMB90.1 million; (iii) cash and cash equivalents of approximately RMB31.6 million; and (iv) right-of-use assets of approximately RMB21.0 million.

As at 30 June 2024, total liabilities of the Group was approximately RMB70.3 million, mainly comprised of (i) interest-bearing bank borrowings of approximately RMB43.5 million; and (ii) other payables and accruals of approximately RMB20.2 million.

Net assets of the Group remained relatively stable at approximately RMB256.3 million, RMB266.8 million and RMB263.5 million, as at 31 December 2022, 2023 and 30 June 2024, respectively.

2. Information about the Pacific Surplus Group and the Epic Wealth Group

2.1 Principal business of the Pacific Surplus Group

Pacific Surplus is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. As at the Latest Practicable Date, Pacific Surplus Group wholly-owns Fujian Dexi and is principally engaged in the Distillery Business, which includes, among others, the production of whisky and the production and sale of gin products through the Longyan Distillery located in Longyan City, Fujian Province, PRC.

Upon completion of the Fujian Dexi Reorganisation, the Pacific Surplus Group will wholly own Fujian Dexi and be principally engaged in the Distillery Business, which includes, among others, the production of whisky and the production and sale of gin products through the Longyan Distillery located in Longyan City, Fujian Province, PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Financial information of the Pacific Surplus Group*

Financial performance

Set out below is the key financial information of the Pacific Surplus Group assuming the Fujian Dexi Reorganisation is completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 and for the nine months ended 30 September 2023 and 2024 as set out in Appendix IIA of the Circular, prepared in accordance with Hong Kong Financial Reporting Standards:

	Nine months ended		Year ended	
	30 September		31 December	
	2024	2023	2023	2022
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4.59	2.91	10.02	0.06
Gross profit	2.48	1.62	5.26	0.02
Net loss before taxation	(3.33)	(2.95)	(0.04)	(1.60)
Net loss after taxation	(3.33)	(2.95)	(0.04)	(1.60)

The Pacific Surplus Group recorded insignificant revenue of approximately RMB63,000 for the year ended 31 December 2022 and a revenue of approximately RMB10.0 million for the year ended 31 December 2023, mainly attributable to the sales of wines. Gross profit of the Pacific Surplus Group amounted to approximately RMB19,000 and RMB5.3 million for the year ended 31 December 2022 and 2023, respectively, representing gross profit margins of approximately 30.2% and 52.5%, respectively. As a result of the significant increase in revenue and gross profit, loss for the year of the Pacific Surplus Group decreased from approximately RMB1.6 million for the year ended 31 December 2022 to approximately RMB42,000 for the year ended 31 December 2023.

Revenue of the Pacific Surplus Group increased from approximately RMB2.9 million for the nine months ended 30 September 2023 to approximately RMB4.6 million for the nine months ended 30 September 2024, mainly as a result of the increase in sales of wines and a new gin product. Gross profit of the Pacific Surplus Group amounted to approximately RMB1.6 million and RMB2.5 million for the nine months ended 30 September 2023 and 2024, respectively, representing gross profit margins of approximately 55.7% and 54.0%, respectively. Despite the increase in the revenue and gross profit during the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

period, the Pacific Surplus Group recorded an increase in loss from approximately RMB3.0 million for the nine months ended 30 September 2023 to approximately RMB3.3 million for the nine months ended 30 September 2024, mainly due to the increase in administrative expenses and finance costs.

Financial position

Set out below is a summary of the financial position of the Pacific Surplus Group as at 31 December 2022, 2023 and 30 September 2024 as extracted from Appendix IIA of the Circular.

	As at 30 September 2024	As at 31 December 2023	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets	130.36	119.15	92.42
Current assets	19.26	17.68	27.95
	<u>130.36</u>	<u>119.15</u>	<u>92.42</u>
Total assets	<u>149.62</u>	<u>136.83</u>	<u>120.36</u>
Non-current liabilities	49.31	32.70	17.35
Current liabilities	17.22	17.80	16.41
	<u>49.31</u>	<u>32.70</u>	<u>17.35</u>
Total liabilities	<u>66.53</u>	<u>50.49</u>	<u>33.76</u>
Net assets	<u>83.09</u>	<u>86.34</u>	<u>86.60</u>

As set out in Appendix IIA of the Circular, total assets of the Pacific Surplus Group as at 30 September 2024 amounted to approximately RMB149.6 million, which mainly comprised of (i) property, plant and equipment of approximately RMB120.6 million; (ii) prepayments and other receivables of approximately RMB11.3 million; (iii) right-of-use assets of approximately RMB7.0 million; and (iv) inventories of approximately RMB6.3 million. Total liabilities of the Pacific Surplus Group amounted to approximately RMB66.5 million as at 30 September 2024, mainly comprised of (i) interest-bearing bank borrowings of approximately RMB50.6 million; (ii) due to immediate holding company of approximately RMB8.4 million; and (iii) due to fellow subsidiaries of approximately RMB5.1 million.

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As at 30 September 2024, assuming the Fujian Dexi Reorganisation is completed, the Pacific Surplus Group had unaudited net assets of approximately RMB83.1 million.

As at 30 September 2024, based on the Valuation Report, the entire equity interest of the Pacific Surplus Group has an appraised fair value (adopting the asset-based approach) of approximately HK\$60,480,000.

2.3 Principal business of the Epic Wealth Group

Epic Wealth is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. Epic Wealth Group, upon completion of the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation, is principally engaged in the Winery Business, which includes production and distribution of wine products, planting of vines and sale of wine grapes.

2.4 Financial information of the Epic Wealth Group

Financial performance

Set out below is the key financial information of the Epic Wealth Group assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation is completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 and for the nine months ended 30 September 2023 and 2024 as set out in Appendix IIB in the Circular, prepared in accordance with Hong Kong Financial Reporting Standards:

	Nine months ended		Year ended	
	30 September		31 December	
	2024	2023	2023	2022
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	20.45	45.60	59.87	62.06
Gross profit	16.91	36.91	42.46	36.44
Net (loss)/profit				
before taxation	(0.85)	14.14	13.44	4.68
Net (loss)/profit				
after taxation	(2.06)	12.06	12.18	3.20

The Epic Wealth Group recorded revenue of approximately RMB62.1 million and RMB59.9 million for the year ended 31 December 2022 and 2023, respectively, representing a decrease of approximately 3.5%. Such decrease was mainly due to the decrease in sales volume attributable to the Epic Wealth Group.

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Gross profit of the Epic Wealth Group amounted to approximately RMB36.4 million and RMB42.5 million for the year ended 31 December 2022 and 2023, respectively, representing gross profit margins of approximately 58.7% and 70.9%, respectively. The increase in gross profit margin was mainly due to the increase in average selling price and the increase in sales of high-end wines which had a higher gross profit margin. As a result of the increase in revenue and gross profit, the Epic Wealth Group recorded a significant increase in profit from approximately RMB3.2 million for the year ended 31 December 2022 to approximately RMB12.2 million for the year ended 31 December 2023.

For the nine months ended 30 September 2024, the Epic Wealth Group recorded a revenue of approximately RMB20.4 million, representing a decrease of approximately 55.1% from that of approximately RMB45.6 million for the nine months ended 30 September 2023. Such decrease was mainly due to the decrease in sale volume. Gross profit of the Epic Wealth Group amounted to approximately RMB36.9 million and RMB16.9 million for the nine months ended 30 September 2023 and 2024, respectively, representing gross profit margins of approximately 81.1% and 82.7%, respectively. As a result of the significant decrease in revenue and gross profit, the Epic Wealth Group turned from a net profit of approximately RMB12.1 million for the nine months ended 30 September 2023 to a net loss of approximately RMB2.1 million for the nine months ended 30 September 2024.

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Financial position

Set out below is a summary of the financial position of the Epic Wealth Group as at 31 December 2022, 2023 and 30 September 2024 as extracted from Appendix IIB of the Circular.

	As at 30 September 2024	As at 31 December 2023	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets	66.96	71.97	77.95
Current assets	123.64	126.17	133.25
Total assets	190.61	198.14	211.20
Non-current liabilities	6.14	6.03	5.44
Current liabilities	15.25	20.11	44.48
Total liabilities	21.38	26.13	49.92
Net assets	169.2	172.01	161.28

As set out in Appendix IIB of the Circular, total assets of the Epic Wealth Group as at 30 September 2024 amounted to approximately RMB190.6 million, which mainly comprised of (i) inventories of approximately RMB87.6 million; (ii) property, plant and equipment of approximately RMB46.7 million; (iii) cash and cash equivalents of approximately RMB26.3 million; and (iv) right-of-use assets of approximately RMB13.7 million. Total liabilities of the Epic Wealth Group amounted to approximately RMB21.4 million as at 30 September 2024, mainly comprised of (i) due to related parties of approximately RMB10.8 million; (ii) deferred tax liabilities of approximately RMB4.0 million; and (iii) other payables and accruals of approximately RMB3.5 million.

As at 30 September 2024, assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation is completed, the Epic Wealth Group had unaudited net assets of approximately RMB169.2 million.

As at 30 September 2024, based on the Valuation Report, the 30% equity of the Epic Wealth Group has an appraised fair value (adopting the market approach) of approximately HK\$38,880,000.

3. Reasons for and benefits of the Disposals

3.1 Reasons and benefits of the disposal of the Distillery Business

Growth of the China whisky and gin industry is slowing down and is facing intense competition ahead

Key whisky brands were first introduced to China more than three decades ago. In recent years, the growth of China's whisky industry experienced a slowdown, according to China Insights Consultancy. Between 2013 and 2018, China's whisky consumption experienced relatively high growth, increasing from approximately 8.0 million litres in 2013 to approximately 13.0 million litres in 2018, representing a CAGR of 10.1%. However, such growth is slowed down between 2018 and 2023, from the consumption of approximately 13.0 million litres in 2018 to approximately 16.6 million litres in 2023, representing a CAGR of 5.0%, and such growth is expected to be further slowed down with an expected consumption of approximately 19.1 million litres in 2028, representing a CAGR of 2.9% from 2023 to 2028, according to China Insights Consultancy.

The whisky industry in China is facing intense competitions. According to China Insights Consultancy, imported whisky brands took up a major share of the Chinese market, which accounted for approximately 60% of China's consumption volume in 2023. New whisky distilleries in China are emerging rapidly. Back in 2019, when the Company first decided to invest in the Distillery Business, there were only a handful of distilleries in China. As at May 2024, there are around 48 whisky distilleries either in production or under construction in China as local and international players look to diversify their offerings with whisky made in China.

As for the gin industry, between 2013 and 2018, China's gin consumption experienced relatively high growth, increasing from approximately 5.6 million litres in 2013 to approximately 6.3 million litres in 2018 and representing a CAGR of 2.3%. However, such growth is slowed down between 2018 and 2023, from the consumption of approximately 6.3 million litres in 2018 to approximately 7.0 million litres in 2023 and representing a CAGR of 2.1%, according to China Insights Consultancy. Such growth is expected to be further slowed down with an expected consumption of approximately 7.5 million litres in 2028, representing a CAGR of 1.4% from 2023 to 2028, according to China Insights Consultancy.

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Uncertainty in Group's Distillery Business whilst requires continuous input of working capital

Longyan Distillery, being the Group's first distillery, which principally produces whisky and gin, became fully operational in the first half of 2024. The Group commenced production of whisky in the second half of 2023 and began to sell a new gin series and other new products in the same year. However, the revenue contribution of gin has been small and will continue to be insignificant to the Group. The Directors expect the earliest commercial sales of whisky will be in mid-2026, as it takes approximately three years for the whisky to age and be ready for sale in the market. For the year ended 31 December 2023 and the six months ended 30 June 2024, the sale of gin products amounted to nil and RMB11,000, representing nil and approximately 0.07% of the total revenue of the Group for the relevant periods, respectively. However, against the backdrop of an anticipated slowdown in the growth of whisky consumption, an increasingly competitive environment in the whisky industry in China and the fact that the Group's whisky brand will be new to the market, the Directors believe there is significant uncertainty concerning the reception of the Group's whisky by the market, which might ultimately affect the sales performance of the Group's whisky products.

On the other hand, in order to be able to continue to supply whisky to the market, the Distillery Business will require continuous working capital for its production and operation. Management of the Group estimates that production costs of approximately RMB12 million and operating costs of approximately RMB12 million will be required to be incurred annually to produce a stable supply of 228,000 litres of whisky. In addition, the Distillery Business carries outstanding loans of approximately RMB52.39 million in respect of the Project Loan for the construction of the Longyan Distillery and approximately RMB10.00 million in respect of the Credit Line for the daily operation of the Longyan Distillery as at the Latest Practicable Date, for which the Distillery Business is required to make a repayment of RMB3.34 million in 2025 if there is no more drawdown of the loans. The repayment will gradually increase according to the drawdown amount and agreed repayment schedules with the Bank, covering principal and interest until such loans are paid off.

Unexpected delay in the launch of the Distillery Business and the insufficiency of funding support from the Winery Business

The COVID-19 pandemic significantly disrupted the timeline for the construction of the Longyan Distillery, which in turn delayed the product launch of the Distillery Business. Pandemic restrictions, such as lockdowns and social distancing mandates, caused construction projects to slow down or even come to a complete stop. This delay extended the timeline for the Longyan Distillery to become operational. This delay also added time and expenses to the construction

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of the Longyan Distillery. It was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business which had been a promising segment of the Group in the past. However, COVID-19 and the economic downturn adversely impacted consumer spending on non-essential items like wine, resulting in reduced revenues from the Winery Business. The capacity of the Winery Business to provide funding for the Distillery Business has been adversely affected. Hence, the Directors consider that it is not justified for the Group to continue investing in the Distillery Business given its cost and uncertain future performance.

Strengthen the Group's financial position and generate immediate value to Shareholders

The Pacific Surplus Consideration amounting to HK\$71,280,000 has been determined based on the (i) independent valuation of the equity value of the Distillery Business, which represents approximately the entire equity valuation of Pacific Surplus; and (ii) the outstanding amount of the Sale Loan. The Pacific Surplus Completion will relieve the Group from the future capital commitments and the ongoing financing needs of the Distillery Business, which is and will remain in its startup stage in the near future. Shareholders will also immediately benefit from the return of their capital by way of the Pacific Surplus Special Dividend, if approved, which represents (i) approximately 67.3% as at 5 December 2024, the date of the announcement of the Company in relation to the Pacific Surplus Disposal; and (ii) approximately 38.1% of the market value of their Shares as at the Latest Practicable Date. In addition, given the valuation of the Pacific Surplus Group was prepared based on asset-based approach which took into account the net assets value of the Pacific Surplus Group, the valuation took into account (i) the initial acquisition costs of RMB13.8 million (equivalent to approximately HK\$15 million) paid by the Company for the acquisition of the Distillery Business in August 2019, which was then determined based on the then net asset value of the Distillery Business; (ii) the subsequent capital injections of approximately RMB78.6 million made by the Group to the Distillery Business as registered capital, including approximately RMB21.8 million from the Company's IPO proceeds in order to facilitate the construction of Longyan Distillery; (iii) the accumulated loss of Pacific Surplus Group of approximately RMB8.8 million as at 30 September 2024; and (iv) the exchange fluctuation reserve loss of Pacific Surplus Group of approximately RMB0.2 million as at 30 September 2024, which were reflected in the net asset value of the Pacific Surplus Group as at 30 September 2024. Although the Pacific Surplus Consideration is lower than sum of the initial acquisition costs and subsequent capital injections made by the Group to the Distillery Business, given it is determined based on and supported by the independent valuation of the equity value of the Distillery Business which has reflected the net asset value of the Distillery Business as at 30 September 2024, and the outstanding amount of the

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Sale Loan as at 30 September 2024, the Directors are of the view that Pacific Surplus Consideration is fair and reasonable and in the interests of the Company and the shareholders as a whole.

Considerations for disposing the Distillery Business shortly after the commencement of distillery production in the second half of 2023 and the Longyan Distillery became fully operational in the first half of 2024

As abovementioned, it was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business and the Group had contributed large amount of capital to the Distillery Business since its acquisition from time to time. In 2023, the revenue and net profit of the Group, which was primarily generated by Winery Business, were RMB65.0 million and RMB10.2 million, respectively. For the first six months of 2024, the Group recorded a revenue of RMB16.6 million and a net loss of RMB3.5 million. Based on its latest management accounts, the Directors do not expect there will be significant improvement on the financial performance of the Group for the year ended 2024. Given the Group turned from profit making to loss making and, as explained below, the short-term prospects of the Winery Business face significant uncertainties, the Directors consider, based on currently available information, that the Winery Business is unlikely to be able to support the future working capital needs of the Whisky Business.

The cash balance of the Distillery Business was RMB1.7 million as of 30 September 2024, which is low. As abovementioned, the Distillery Business will need input of substantial working capital before it is able to generate meaningful revenue. Since the beginning of 2024, the Group has been actively seeking debt financing to support the operation of the Distillery Business. However, the Distillery Business is already exposed to the Project Loan, which has restricted use. Due to lack of substantial sales generated, it is very difficult for the Distillery Business to obtain any other debt financings on reasonable financing terms. The Group was only able to obtain the Credit Line of RMB12 million in October 2024, of which RMB10 million was drawn down and used, for the purchase of raw materials for production of whisky and daily operating expenses. The Group has also considered other fundraising activities, including subscription or placing of new shares, rights issues and open offer, but these are also considered difficult due to the low liquidity of the Shares and the low prevailing market price of the Shares.

Having considered (i) China Insights Consultancy's view on the prospects of the whisky and gin industry is expected to be slowed down and uncertain and based on the Board's experience and industry knowledge on the development of the whisky and gin industry, which aligns with China Insights Consultancy's view; (ii) the Winery Business can no longer support the working capital needs

of the Distillery Business; and (iii) the difficulties of obtaining financing by the Distillery Business, although the Distillery Business only commenced production and operation over the past year and the products may only be launched after mid-2026, the Directors consider the disposal of the Distillery Business is favourable to the Group and the Shareholders as a whole.

In the case the Pacific Surplus Disposal does not take place, the Group will require additional working capital to maintain the Distillery Business as abovementioned and also to bear the risk of the uncertain prospect of the Distillery Business. To solicit financial resources, the Group may consider debt financing and equity financing. However, debt financing shall incur finance costs and adversely affecting the gearing ratio of the Group, while equity financing shall dilute the shareholding of the Shareholders, and both debt and equity financing are difficult as explained above.

3.2 Reasons and benefits of the disposal of 30% of the Winery Business

The China wine industry might rapidly and adversely affect the Group's Winery Business performance in the near term

The wine industry in China is relatively mature. According to China Insights Consultancy, China now numbers among the top ten global markets for wine. However, in recent years, the popularity of wine in China has been declining and is replaced with a range of alcoholic beverages made from sorghum, millet and fruits such as lychee or plum instead of grapes, according to China Insights Consultancy. In addition to changes in consumer preference, China's economic slowdown has also had a significant impact on the wine market. The decline in domestic demand, compounded by low consumer confidence and reduced discretionary spending, has directly affected wine consumption. As a luxury or non-essential item, wine is particularly vulnerable during economic downturns, leading to lower spending allocations toward purchasing wine. As a result, the wine consumption in China declined from 3,468.7 million litres in 2018 to 2,157.4 million litres in 2023 (representing a negative CAGR of 9.1% from 2018 to 2023) and is expected to further decline to 1,989.6 million litres in 2028 (representing a negative CAGR of 1.6% from 2023 to 2028) according to China Insights Consultancy. The Group's financial performance has been significantly affected by the sluggish wine market in China. The Group's wine sales volume for the first six months of 2024 dropped by approximately 42.8%, with consumers opting for more entry-level wines compared to the same period in 2023. The Group's revenue, which is primarily generated by Winery Business, dropped by approximately 54.5% from RMB36.5 million for the first six months of 2023 to RMB16.6 million for the same period in 2024. This significant drop in sales volume and sales led to a swing from a net profit of approximately RMB5.4 million for the six months ended 30 June 2023 to a net loss of approximately RMB3.5 million for the same period in 2024.

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The Directors (including Ms. Chan) remain confident in the prospects of the Winery Business in the long run

The Group will continue to own 70% of the Winery Business following the completion of the Epic Wealth Disposal. The Group has invested significantly in promoting its brand, and the Directors believe that as a result the brand has good value and is well-recognised by consumers. The Directors remain confident in the prospects of the Winery Business in the long run. In the short run, the divestment of 30% of the Winery Business to the controlling shareholder of the Company, Ms. Chan, is considered a prudent move for the Group (i) to share any adverse financial impact or poor performance of the Winery Business, as 30% of the financial results will be borne by Ms. Chan, being a minority shareholder of the Winery Business and holding non-controlling interests in the Winery Business. In addition, having 30% equity interest of Epic Wealth, Ms. Chan will share the risk associated with the Winery Business with the Company. If the Winery Business faces any challenges, the financial burden will be shared by the Company and Ms. Chan, therefore the risk exposure of the Company on the Winery Business will be reduced; (ii) Ms. Chan is further increasing her equity interest directly in the Winery Business through the Epic Wealth Disposal indicating her confidence in the future prospects of the Winery Business; and (iii) it is Ms. Chan's intention to contribute capital to the Winery Business proportionately based on the percentage of the shareholdings with the Group if and when capital injection is required, which will provide additional resources to meet the Group's funding needs during the sluggish time of the wine market. Consequently, the Company may contribute less as compared to being the sole shareholder of the Epic Wealth Group, therefore alleviating the working capital burden of the Group during a market slowdown. However, it is noted that Ms. Chan's current intention to contribute capital is not legally binding on Ms. Chan, and Ms. Chan may decide, based on her then financial capabilities and commercial terms of the transaction, whether to further invest in the Group. As Ms. Chan (together with Mr. Chan Kwan and Sanlion International) has already provided advances of approximately RMB10.8 million to the Group which are non-trade in nature, unsecured, interest-free and repayable on demand, she currently has no intention to provide additional advances to the Group. As Ms. Chan and Ms. Wong, being the substantial Shareholders, in aggregate own 73.63% of the issued share capital of the Company as at the Latest Practicable Date, any further subscription of new Shares by them to provide funding to the Company will cause the Company to breach the 25% public float rule under Rule 11.23(7) of the GEM Listing Rules. It is not feasible for Ms. Chan to provide funding to the Company by way of equity financing over its Shares. Therefore, it is only practical for Ms. Chan to provide equity financing to the Winery Business directly at the Epic Wealth level should it need to do so in the future.

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Generate immediate value to Shareholders

The Epic Wealth Consideration amounting to HK\$38,880,000 is based on the independent valuation of the equity value of the Winery Business performed by the Valuer, which represents approximately 30% of the entire equity valuation of Epic Wealth. The Epic Wealth Completion will allow Shareholders to immediately benefit from the return of their capital by way of Epic Wealth Special Dividend, if approved, which accounts for (i) approximately 36.7% of the value of their Shares as at 5 December 2024, the date of the announcement of the Company in relation to the Epic Wealth Disposal; and (ii) approximately 20.8% of the market value as at the Latest Practicable Date, while retaining their equity investment in the Company and the Company's position as the majority owner of the Winery Business.

Since its incorporation, Epic Wealth has not distributed any dividends to its shareholders. Since the listing of the Group, the Winery Business did not distribute any dividends to the Company. It is expected that Epic Wealth will provide funding to the Company in order to settle the administrative and other expenses derived from its daily operation by way of advances from dividends received from the Winery Business. The Epic Wealth Group currently does not have any dividend payment plan.

The Group has also considered debt financing and equity financing. The Winery Business does not hold any significant assets which are provided to any financial institutions as collateral, and it would be difficult to raise funds through debt financing. As for equity financing, the Group has considered various options of fundraising activities including subscription or placing of new shares, rights issues and open offer, but also considered difficult as the low liquidity of the Share and the low prevailing market price of the Share which does not reflect the value of the Company.

By generating liquidity through the Disposals, the Epic Wealth Group may reduce its reliance on borrowing, which would otherwise increase interest expenses and further strain its financial position. After the Disposals, Ms. Chan may inject additional resources (financial or operational support) to protect her increased stake, thereby indirectly supporting the operations of the Winery Business.

In the case of the Epic Wealth Disposal does not take place, the Directors consider the Winery Business will still be sustainable though the Group will have to meet all the working capital needs and will bear the full risk of fluctuation in the financial position of the Winery Business.

3.3 Overall benefit to the Group and the Independent Shareholders

In totality, the Directors consider that the disposals of the Distillery Business and 30% of the Winery Business represent good opportunities for the Group to enhance its financial and working capital position and allow for the Group to refocus its resources on the Winery Business, which will be the Group's remaining principal business. The net proceeds from the Pacific Surplus Disposal (after the distribution of the Pacific Surplus Special Dividend) of HK\$5.5 million represent approximately 17.4% of the cash and cash equivalents and 4.0% of the current assets of the Group as at 30 June 2024. The net proceeds from the Epic Wealth Disposal (after the distribution of the Epic Wealth Special Dividend) of HK\$1.5 million represent approximately 4.8% of the cash and cash equivalents and 1.1% of the current assets of the Group as at 30 June 2024. If both the Pacific Surplus Disposal and the Epic Wealth Disposal take place, the net proceeds from the Disposals (after the distribution of the Special Dividends) of HK\$10.0 million represent approximately 31.7% of the cash and cash equivalents and 7.2% of the current assets of the Group as at 30 June 2024, and is higher than the net cash flow used in operating activities of the Group for the year ended 31 December 2023. It is noted that while the net proceeds from the Disposals (after distribution of the Special Dividends) retained as the Group's working capital may not be material to the financial position of the Group, taking into account (a) the cash and cash equivalents of approximately RMB31.6 million of the Group as at 30 June 2024; and (b) the banking facility of RMB5 million available to the Winery Business as at the Latest Practicable Date, the Company considers the remaining net proceeds from the Disposals (after the distribution of the Special Dividends) of approximately HK\$10.0 million will still serve to strengthen the working capital position of the Group.

As stated above, the wine industry is currently affected by the sluggish Chinese economy and disposal of 30% of the Winery Business can allow Ms. Chan to share the short term financial burden of the Winery Business.

As approximately 90.6% of the net proceeds from the Disposals will be declared, and be paid to the Shareholders by way of Special Dividends, if approved, and taking into account the "net-off" arrangement in respect of Pacific Surplus Special Dividend and Epic Wealth Special Dividend with Ms. Chan and the Group, the Disposals can be viewed as a "partial privatisation" of the Distillery Business and 30% of the Winery Business by Ms. Chan. Based on the latest issued share capital of the Company, the Special Dividends per Share will be up to HK\$12.058 cents if the Disposals proceed to completion, representing an increase of approximately 3.95% of the last trading price of the Shares as at 5 December 2024, being the date of entering into of the Pacific Surplus Agreement and Epic Wealth Agreement. The share price of the Company has generally decreased since the beginning of January 2024, falling from HK\$0.156 per Share as of 2 January 2024 to HK\$0.116 per Share as at 5 December 2024, being the date of entering into of the Pacific Surplus Agreement and Epic Wealth Agreement (a drop of approximately 25.6%) with minimal trading liquidity,

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which the Directors consider reflects a pessimistic view of investors and shareholders of the Company's prospects.

The Directors are of the view that the Disposals, together with the distribution of the Special Dividends, will allow shareholders to realise part of their investments in the Company at an attractive premium over the prevailing market valuation of the Shares and help to restore investor confidence in the Company.

Going forward, the Company will periodically review the performance and prospects of its Winery Business, will conduct its Winery Business with a view to maximising the return to its Shareholders taking into account resources available to the Group and will explore and consider other business opportunities should they become available.

Furthermore, upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi. As such, Fujian Dexi has commenced discussions with the Bank for the Guarantee Releases. Such releases will take time to negotiate and finalise. Moreover, the Guarantee Releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims that the Bank may make relating to the Project Loan Guarantee and the Credit Line Guarantee.

On the basis of the above, the Board considers that the terms of the Epic Wealth Agreements and the Pacific Surplus Agreements (including the Epic Wealth Consideration and the Pacific Surplus Consideration) and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the entering into of the Epic Wealth Agreements and the Pacific Surplus Agreements are in the interests of the Company and its Shareholders as a whole.

3.4 Industry outlook

According to the data from China Insights Consultancy, although the whisky market in China experienced an annualised growth rate of approximately 10.1% for the period from 2013 to 2018, the whisky market in China remained relatively small as compared to other alcoholic products, recording a sales volume of approximately 8.0 million litres and 13.0 million litres for 2013 and 2018, respectively. Also, the growth rate also shrank from approximately 10.1% for the period from 2013 to 2018

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to approximately 5.0% for the period from 2018 to 2023, with a sale volume of approximately 16.6 million litres in 2023. China Insights Consultancy expects the growth rate to further decrease to approximately 2.9% for the period from 2023 to 2028 with an estimated sales volume of approximately 19.1 million litres in 2028.

As for the gin industry, despite China's gin consumption having experienced a relatively high growth of approximately 2.3% CAGR from 2013 to 2018, the market remained relatively small as compared to other alcoholic products, recording a sales volume of approximately 5.6 million litres and 6.3 million litres in 2013 and 2018, respectively. Such growth rate also slowed between 2018 to 2023 to a CAGR of approximately 2.1%, with a sales volume of approximately 7.0 million litres in 2023, and is expected by China Insights Consultancy to further decrease to approximately 1.4% from 2023 to 2028.

From our independent research, according to the data from China Alcoholic Drinks Association, a voluntary industry-based national non-profit social organization managed by the Ministry of Civil Affairs and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the total production of the beverage alcohol in China was approximately 47,580 million litres in 2023. Also, based on the data from General Administration of Customs of the PRC, China's import volume of whisky and gin in 2023 amounted to approximately 32.6 million litres and approximately 2.2 million litres, respectively. Given (i) the relatively small market size of whisky and gin as compared to the overall beverage alcohol industry in China; (ii) the significant volume of imported whisky and gin; and (iii) the diminishing growth rate of the whiskey and gin market in China, competition in the whiskey market and gin market are expected to intensify.

According to the data from China Insights Consultancy, despite the increase in sales volume of wine in China from approximately 2,555 million litres in 2009 to approximately 3,626 million litres in 2017, sales volume of wine in China had followed a decreasing trend since then and reached its lowest point in 2023 in a decade, recording the sales volume of approximately 2,157 million litres, and is expected to continue to decrease to approximately 1,990 million litres in 2028. Such deterioration in the past years was mainly attributable to (i) the decrease in demand of wine in China; (ii) the increase in raw material costs in wine production; and (iii) the decelerated turnover of inventories.

Based on our independent research, according to the date published by China Alcoholic Drinks Association, sales revenue and profit of wine in the PRC amounted to approximately RMB9 billion and RMB220 million in 2023, which both accounted for less than 1% of the overall brewing industry in the PRC, and represented increases of approximately 4.8% and 2.8% from previous year, respectively. Such growth rates were lower than that of the overall brewing industry in the PRC, which recorded growth rates in total sales revenue and profit of approximately 9.3% and 7.6% in 2023 as compared to the previous year, respectively.

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Taking into account the above, in particular (i) the uncertainties of the industry outlook of the Distillery Business and Winery Business; and (ii) that the Shareholders will immediately benefit from the return of their capital by way of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, if approved, we concur with the view of the Directors that the Disposals are in the interests of the Company and the Shareholders as a whole.

4. The Pacific Surplus Disposal

4.1 Principal terms of the Pacific Surplus Agreements

Date

5 December 2024 (after trading hours) for the Pacific Surplus Agreement

21 January 2025 (after trading hours) for the Pacific Surplus Supplemental Agreement

Parties

(a) The Company as seller; and

(b) Ms. Chan as purchaser.

Subject matter

The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, which represent the entire issued share capital of Pacific Surplus, as well as the Sale Loan.

Consideration

HK\$71,280,000, which has been determined with reference to (i) the valuation report of the Pacific Surplus Group (assuming completion of the Fujian Dexi Reorganisation) as at 30 September 2024 prepared by the Valuer with the appraised value being approximately RMB56.00 million (equivalent to approximately HK\$60.48 million) (adopting the asset-based approach) of the entire equity interest of the Pacific Surplus Group as at 30 September 2024; and (ii) the outstanding amount of the Sale Loan as at the date of the Pacific Surplus Agreement.

Payment of consideration

On the date of the Pacific Surplus Completion, Ms. Chan (or her nominee) shall pay the Pacific Surplus Consideration, net of the amount of the Pacific

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Surplus Special Dividend to be received by Macmillan Equity, Palgrave Enterprises and Ms. Wong, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties. Ms. Chan has confirmed that she will not dispose of, or procure MacMillan Equity to dispose of, any of the Shares prior to the record date of the Pacific Surplus Special Dividend. Ms. Wong and Palgrave Enterprises also confirmed that they will not dispose of any of the Shares prior to the record date of the Pacific Surplus Special Dividend.

As such, the net amount that Ms. Chan will need to pay to the Company to settle the balance of the Pacific Surplus Consideration on the Pacific Surplus Completion will be HK\$25,288,407.

Conditions precedent

The Pacific Surplus Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:

- (a) the Pacific Surplus Agreement, the Pacific Surplus Supplemental Agreement and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;
- (b) the declaration, distribution and payment of the Pacific Surplus Special Dividend have been approved by the Independent Shareholders at the EGM;
- (c) the necessary regulatory approval(s) and/or clearance(s) in relation to the Pacific Surplus Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Pacific Surplus Disposal to be published;
- (d) the Fujian Dexi Reorganisation has been completed; and
- (e) the representations, warranties, agreements and undertakings set out in the Pacific Surplus Agreement are true, accurate and complete in all material respects and not misleading as of the date of the Pacific Surplus Completion.

As at the Latest Practicable Date, condition (d) has been fulfilled. Neither the Company or Ms. Chan has the right to waive condition (a), (b), (c) and (d).

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Completion

The Pacific Surplus Completion will take place after the conditions precedent to the Pacific Surplus Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.

Termination

If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Pacific Surplus Agreement shall automatically terminate with immediate effect.

4.2 Assignment of the Sale Loan, the Deed of Indemnity and the Share Pledge Agreement

Pursuant to the Pacific Surplus Agreements, concurrently with the Pacific Surplus Completion, the Company (as assignor) and Ms. Chan (as assignee) will enter into the Assignment of the Sale Loan, pursuant to which the Company will transfer and assign all its title, rights, interests and benefits of and in the Sale Loan to Ms. Chan. The Sale Loan is an interest-free shareholder's loan provided by the Company to Maxco, an indirect wholly-owned subsidiary of Pacific Surplus. As at the date of the Pacific Surplus Agreement, the outstanding balance of the Sale Loan is approximately RMB9.70 million (equivalent to approximately HK\$10.47 million). Major terms of the Assignment of the Sale Loan are set out in the section headed "2.2 Assignment of the Sale Loan" in the Letter from the Board.

Upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi. As such, Fujian Dexi has commenced discussions with the Bank for the Guarantee Releases, which will take time to negotiate and finalise. As at the Latest Practicable Date, the outstanding principal under the Project Loan and the Credit Line amounted to approximately RMB52.39 million and RMB10.00 million, respectively.

As part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, concurrently with the Pacific Surplus Completion, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor and the Company as pledgee will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims that the Bank may make relating to the Project Loan Guarantee and the Credit Line Guarantee. Major terms of the Deed of

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Indemnity and Share Pledge Agreement are set out in the sections headed “2.3 Deed of Indemnity” and “2.4 Share Pledge Agreement” in the Letter from the Board.

As set out in the section headed “2.5 The Project Loan and the Credit Line” in the Letter from the Board, the Company understands that the Guarantee Releases are in advanced progress and are expected to be without any material obstacles. In addition, the Mortgaged Commercial Properties at time of obtaining the Project Loan had a total valuation of approximately RMB122.6 million, and the Longyan Distillery was also mortgaged to secure the Project Loan and the Credit Line. As advised by the Company, the Guarantee Releases are expected to take place in the first quarter of 2025. In the event of the enforcement of collateral, which is unlikely as advised by the Company, the value of the Mortgaged Commercial Properties is expected to be sufficient to settle the Project Loan and the Credit Line. Taking into account, among others, (i) the value of existing collateral is substantially higher than the outstanding principal of the Project Loan of approximately RMB52.39 million as at the Latest Practicable Date; and (ii) the Deed of Indemnity and the Share Pledge Agreement provided by Ms. Chan to indemnify the loss or liability suffered by Shangxi Grace Vineyard in relation to Project Loan Guarantee and the Credit Line Guarantee, which is in favour to the Company, we are of the view that the risks of the Company in respect of the Project Loan and Credit Line are mitigated, and concur with the view of the Board that the terms of the Share Pledge Agreement together with the Deed of Indemnity for the Pacific Surplus Disposal are fair and reasonable as a whole.

5. The Epic Wealth Disposal

5.1 Principal terms of the Epic Wealth Agreements

Date

5 December 2024 (after trading hours) for the Epic Wealth Agreement

21 January 2025 (after trading hours) for the Epic Wealth Supplemental Agreement

Parties

- (a) The Company as seller; and
- (b) Ms. Chan as purchaser.

Subject matter

The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire the Epic Wealth Sale Shares, which represent 30% of the entire issued share capital of Epic Wealth.

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Consideration

HK\$38,880,000, which has been determined with reference to the valuation report of the Epic Wealth Group as at 30 September 2024 prepared by the Valuer, with the appraised value (adopting the market approach) of the entire equity interest of the Epic Wealth Group being approximately RMB121.19 million (equivalent to approximately HK\$130.89 million) as at 30 September 2024.

Payment of consideration

On the date of the Epic Wealth Completion, Ms. Chan (or her nominee) shall pay the Epic Wealth Consideration, net of the amount of the Epic Wealth Special Dividend to be received by Macmillan Equity, Palgrave Enterprises and Ms. Wong, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties. Ms. Chan has confirmed that she will not dispose of, or procure MacMillan Equity to dispose of, any of the Shares prior to the record date of the Epic Wealth Special Dividend. Ms. Wong and Palgrave Enterprises also confirmed that they will not dispose of any of the Shares prior to the record date of the Epic Wealth Special Dividend.

As such, the net amount that Ms. Chan will pay to the Company to settle the balance of the Epic Wealth Consideration on the Pacific Surplus Completion will be HK\$13,793,676.

Conditions precedent

The Epic Wealth Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:

- (a) the Epic Wealth Agreement, the Epic Wealth Supplemental Agreement and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;
- (b) the declaration, distribution and payment of the Epic Wealth Special Dividend have been approved by the Independent Shareholders at the EGM;
- (c) the necessary regulatory approval(s) and/or clearance(s) in relation to the Epic Wealth Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Epic Wealth Disposal to be published;
- (d) the Epic Wealth Reorganisation has been completed;

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- (e) the Fujian Dexi Reorganisation has been completed; and
- (f) the representations, warranties, agreements and undertakings set out in the Epic Wealth Agreement are true, accurate and complete in all material respects and not misleading as of the date of the Epic Wealth Completion.

As at the Latest Practicable Date, condition (e) has been fulfilled. Neither the Company or Ms. Chan has the right to waive condition (a), (b), (c), (d) and (e).

Completion

The Epic Wealth Completion will take place after the conditions precedent to the Epic Wealth Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.

Termination

If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Epic Wealth Agreement shall automatically terminate with immediate effect.

5.2 Principal terms of the Shareholders' Agreement

Pursuant to the Epic Wealth Agreements, if the Independent Shareholders approve the Epic Wealth Disposal, concurrently with the Epic Wealth Completion, the Company and Ms. Chan shall enter into the Shareholders' Agreement. The Shareholders' Agreement aims to regulate the management of Epic Wealth, minimise the risk of transfer of interest in the Winery Business to other parties and dilution of the interest of the Company in the Winery Business to protect the interest of the Company.

Taking into account (i) that a majority of the directors of Epic Wealth will be nominated and appointed by the Company; and (ii) the right of first refusal term protects the interest of the shareholders of Epic Wealth, including the Company, we concur with the view of the Company that the entering into of the Shareholders' Agreement is in the interest of the Company and Shareholders as a whole. Major terms of the Shareholders' Agreement are set out in the section headed "3.2 The Shareholders' Agreement" in the Letter from the Board.

Completion of each of the Pacific Surplus Disposal and the Epic Wealth Disposal is subject to the Independent Shareholders' approval at the EGM and the satisfaction of the conditions precedent under the Pacific Surplus Agreements and the Epic Wealth Agreements, respectively. Therefore, the Pacific Surplus

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Disposal and the Epic Wealth Disposal may or may not proceed. The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved. The Pacific Surplus Completion and the Epic Wealth Completion are subject to conditions including, among others, the declaration, distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, having been approved by the Independent Shareholders at the EGM. The Pacific Surplus Disposal and the Epic Wealth Disposal will not proceed (even if approved by the Independent Shareholders) if the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, are not approved by the Independent Shareholders.

6. Assessment of the Pacific Surplus Consideration and the Epic Wealth Consideration

As stated in the Letter from the Board, the Pacific Surplus Consideration was determined with reference to (i) the valuation report of the Pacific Surplus Group and (ii) the outstanding amount of the Sale Loan of approximately RMB9.70 million (equivalent to approximately HK\$10.47 million) as at the date of the Pacific Surplus Agreement. The Epic Wealth Consideration was determined with reference to the valuation report of the Epic Wealth Group. The following sets forth a summary of the Pacific Surplus Consideration and the Epic Wealth Consideration and the respective appraised values of the entire equity interest of the Pacific Surplus Group and the Epic Wealth Group as at 30 September 2024 (the “**Valuation Date**”) as set out in the Valuation Report prepared by the Valuer. Please refer to Appendix V for detailed information of the Valuation Report.

	Consideration <i>HK\$ million</i>	Proposed equity interest to be disposed	Appraised value of entire equity interest as at 30 September 2024 <i>RMB million</i>	Valuation approach
Pacific Surplus	71.28	100%	56.00 (equivalent to approximately HK\$60.48 million)	Asset-based
Epic Wealth	38.88	30%	121.19 (equivalent to approximately HK\$130.89 million)	Market

6.1 Scope of work and qualifications of the Valuer

We have performed the work as required under Rule 17.92(2)(b) Note 1(d) of the GEM Listing Rules in relation to the Valuer. In particular, we have reviewed the Valuation Report and relevant documents obtained from the Valuer and interviewed the Valuer with particular attention to (i) the terms of engagement of the Valuer with the Company in relation to the valuation of Pacific Surplus and Epic Wealth; (ii) the certificates of qualifications and experience of the Valuer; and (iii) the valuation methodologies and assumptions used by the Valuer in formulating the Valuation Report.

We understand that the Valuer is certified with relevant professional qualifications required to perform the valuation of Pacific Surplus and Epic Wealth. Mr. Jasper Chan, being the person-in-charge of the valuations of the Epic Wealth Group and the Pacific Surplus Group, is a CFA[®] charterholder and a certified FRM[®] with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, and mine valuations. Based on our review of the Valuer's terms of engagement with the Company in relation to the valuation of Pacific Surplus and Epic Wealth and discussion with the Valuer on the work it has performed in formulating the Valuation Report, we noted that the scope of work is appropriate for arriving at the valuation of Pacific Surplus and Epic Wealth and we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. Nothing has come to our attention that the parties to the Disposals had made formal or informal representation to the Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. The Valuer has confirmed that it is an independent third party to the parties of the Disposals and their respective core connected persons.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence, and we consider that the Valuer has sufficient expertise to perform the valuation of Pacific Surplus and Epic Wealth.

6.2 Valuation methodology and assumptions

We have reviewed the Valuation Report and discussed with the Valuer methodologies of, and bases and assumptions adopted for the valuations, and adjustments made to arrive at the Valuation Report. As advised by the Valuer, in arriving at the assessed value, the Valuer has considered three accepted approaches, namely, income approach, asset-based approach and market approach:

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

Asset-based approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised.

The Pacific Surplus Group

In the valuation of the equity of Pacific Surplus, the income approach is not adopted as the cash flow projections with easily verifiable and supportable assumptions and parameters were not readily available. According to the management of the Group, while the initial stages of the production process of the Pacific Surplus Group have commenced, the fermentation process of the distillery products will take a prolonged period of time to complete (up to 3 years). Its products are not ready for sale and the Pacific Surplus Group has not made significant income in the past and would not make material revenue attributable to the distillery business in the coming two years. Based on our research on the industry prospects of the gin and whiskey markets in the PRC as set out in the section headed “3.4 Industry outlook” above, and our review of the financial information of the Pacific Surplus Group, there are significant uncertainties regarding the future income of the Pacific Surplus Group given the uncertainties in industry outlook and the fact that the Pacific Surplus Group has only commenced the initial stage of the production process.

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The Pacific Surplus Group has not generated any significant income attributable to distillery business. The largest asset held by the business was the Properties (as defined below) and the Land (as defined below). The Pacific Surplus Group does not have other significant business activities as at the Valuation Date, other than the holdings of the Properties (as defined below) and the Land (as defined below). No comparable public companies in a similar circumstance as the Pacific Surplus Group were found for the market approach assessment. As set out in the section headed “2.2 Financial information of the Pacific Surplus Group” above, the Pacific Surplus Group recorded insignificant revenue as it has only commenced operation recently and has no other significant business activities. As such, the Pacific Surplus Group is unlikely to be comparable to listed companies which are generally well-established and have longer operating track records.

The asset-based approach is adopted for the valuation of the equity of the Pacific Surplus Group, as the tangible assets (in particular, the Properties (as defined below)) is considered the best indicator of value for companies of similar status to the Pacific Surplus Group. We have reviewed the financial information of the Pacific Surplus Group and noted that it is an asset-heavy company. Given the nature of the Pacific Surplus Group and its identifiable assets and liabilities, we concur with the Valuer that the asset-approach is the most appropriate methodology in its valuation.

The Epic Wealth Group

In the valuation of the equity of the Epic Wealth Group, the asset-based approach is not appropriate as it has an active business, and this approach ignores the economic benefits of ownership of the business. The income approach has not been adopted in this exercise as the cash flow projections for the business of the Epic Wealth Group would require numerous assumptions on projected growth or changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations are therefore not easily verifiable, supportable or reliably measured. The Valuer has therefore relied solely on the market approach in this valuation exercise, which is considered a common valuation method for operating and revenue generating winery businesses like the Epic Wealth Group. Given that (i) the Epic Wealth Group is asset-light and hence the asset-based approach is not appropriate to reflect the fair value of the Epic Wealth Group; (ii) the uncertainties on future performance of Winery Business as mentioned in section headed “3.4 Industry Outlook” associated with various assumptions required in adopting the income approach; and (iii) the Epic Wealth Group has an active business and there are sufficient number of comparable companies identified based on the market approach, we concur with the Valuer that the market approach is the most appropriate valuation methodology in the valuation of the Epic Wealth Group.

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The market approach generally involves two valuation methods, namely (i) the guideline public company method, which involve the use of the valuation multiples applicable to the subject companies, and (ii) the comparable transactions method, which involves the direct comparison of other transactions that may be considered similar to the subject transaction regarding the equity of the Epic Wealth Group. The comparison transactions method is considered not appropriate due to the lack of public information on recent comparable transactions in the market.

Under the guideline public company method of the market approach, the Valuer considered the enterprise value-to-sales ratio (“**EV/S**”) to be appropriate for the valuation of the Epic Wealth Group. Taking into account (i) Epic Wealth recorded net loss and negative earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) in the nine months ended 30 September 2024, therefore multiples involving earnings such as price-to-earnings ratio and enterprise value-to-EBITDA are not applicable; (ii) Epic Wealth is principally engaged in winery industry, and involves human capital and business relationships in operating the business, while price-to-book ratio does not take into consideration human capital and intangible assets in appraising a business; and (iii) the value of a business like the Epic Wealth Group is directly related to its ability to drive sales of winery products, we concur with the Valuer that EV/S multiple is the most appropriate multiple to value the Epic Wealth Group as compared with other valuation multiples.

Taking into account the above and the nature of the Pacific Surplus Group and the Epic Wealth Group, we concur with the Valuer that the asset-based approach is the most appropriate approach in arriving at the market value of the Pacific Surplus Group and the market approach is the most appropriate approach in arriving at the market value of the Epic Wealth Group.

We have reviewed the Valuation Report and discussed with the Valuer in respect of the key assumptions adopted for performing the valuation of the Pacific Surplus Group and the Epic Wealth Group. We understand from the Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the valuation. We also consider that the assumptions adopted in the Valuation Report are general in nature and we are not aware of any material facts which lead us to doubt the reasonableness of the assumptions adopted by the Valuer.

6.3 Assessment of the valuation of the Pacific Surplus Group

As set out in the Valuation Report, the appraised value of the entire equity interest of the Pacific Surplus Group was derived based on the adjusted net asset value after marketability adjustments of the Pacific Surplus Group, of which all individual asset and liability account categories are analysed and valued separately.

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It is noted from the Valuation Report that the book value and appraised value of total assets of the Pacific Surplus Group as of the Valuation Date was approximately RMB149.6 million and RMB133.1 million, respectively, representing a depreciation of approximately RMB16.6 million or 11.1%. The depreciation of total assets as compared to its book value was primarily due to the combined effect of (a) the decrease in revaluation of (i) property, plant and equipment and (ii) prepaid land lease payments; (b) the revaluation of goodwill to nil; and (c) the allocation of tax allowance on asset loss.

The book value of total liabilities of the Pacific Surplus Group as of the Valuation Date was approximately RMB66.5 million, no adjustment was made for the revaluation.

Further details of adjustments (if any) to each of the assets and liabilities item are set out below:

Non-current assets

As of the Valuation Date, the book value of non-current assets of the Pacific Surplus Group amounted to approximately RMB130.4 million, mainly comprised of (i) property, plant and equipment of approximately RMB120.6 million; (ii) prepaid land lease payments of approximately RMB7.0 million; and (iii) goodwill of approximately RMB2.7 million.

(a) Property, plant and equipment

Property, plant and equipment represent the properties, plant and equipment, and construction-in-progress of the Pacific Surplus Group (the “**Properties**”) located at the facilities site to be used for production of distillery products and the prepaid land lease payments, which represents the corresponding parcel of land (the “**Land**”). The fair value of the Properties and the Land was appraised using the Depreciated Replacement Cost method, which is based on an estimate of the fair value for the existing use of the Properties and Land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence, if any. The Depreciated Replacement Cost of the Properties (including property, plant and equipment and construction-in-progress) and the Land generally provided the most reliable indication of value of an asset in the absence of a known market based on comparable sales. The appraised value of property, plant and equipment and prepaid land lease payments as at 30 September 2024 amounted to approximately RMB102.3 million and RMB6.9 million, respectively.

Under the Depreciated Replacement Cost (DRC) Approach, the fair value is calculated as the sum of the land value and the depreciated replacement cost of the buildings and structures. The value of the Land was determined by

referencing three recent transactions involving industrial sites in the district. These comparables shared similar characteristics such as usage, tenure, transacted date and location. We have reviewed the information of the three comparable transactions and noted that they were all completed in the second half of 2024. The three comparables are all industrial premises located in the same city as the Land. We have not identified any major factors that cause us to doubt the reasonableness of the selection criteria and are of the view that the selection criteria adopted by the Valuer are fair and reasonable. We further noted that the Valuer made adjustments to the unit prices of these comparables to reflect factors such as location, size, and land use term. We understand that these adjustments are reasonable to account for differences between the Land and the chosen comparables. We noted that such adjustment factors align with industry practices and we have not identified any major factors that cause us to doubt the reasonableness of the application of adjustments by the Valuer. Hence, we are of the view that this approach aligns with industry best practices and ensures that the valuation considers the unique characteristics of the Land while maintaining consistency and comparability with similar properties in the market. We have performed independent research on landchina.com (中國土地市場網), being the source in which the Valuer has relied on, to cross check the work done by the Valuer. From our research, based on best effort basis, we have identified 7 transactions during September to December 2024 which involved industrial land in the same city as the Land, and are related to the food manufacturing or processing industries. Based on the information, we noted that the unit price of the Land adopted by the Valuer is slightly higher than the average unit price of the transactions identified from our independent research. On such basis, we are of the view that the unit price used by the Valuer for the Land with reference to the comparables are fair and reasonable so far as the Independent Shareholders are concerned.

Depreciation was applied to the replacement cost of each building and structure based on its age, condition, and remaining useful life. The straight-line depreciation method was adopted. The length of useful life is assumed to be 50 years, with reference to Category 3 of Table 3.2.1 “Classification of Design Service Life” in the “Code for Design of Civil Buildings GB 50352-2005” announced by the Ministry of Construction of the People’s Republic of China in Announcement No. 327 and effective as of July 1, 2005. The depreciation rate is computed to be approximately 3.7% per annum. We have obtained and reviewed such document and noted that the designed service life for ordinary building structures of civil building is 50 years.

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(b) Deferred tax assets

As a result of the revaluation of the Properties and Land, the Valuer has calculated a tax allowance on asset loss of approximately RMB4.6 million, based on the difference between their book values and fair values multiplied by the applicable profit tax rate of 25%.

(c) Goodwill

Goodwill was recorded from the past acquisition of Maxco Asia Limited by Grace Wine in August 2019. As set out in the Valuation Report, other than the development of the distillery facilities and business, the business unit has not planned for any other new projects. As the values of Properties and Land have been marked to market, and the business unit in its latest status as at the Valuation Date does not have significant business activities other than the ongoing development of the Properties and Land, no intangible asset can be reasonably quantified and recognized. Therefore, the fair value of goodwill is considered nil.

Current assets

As of the Valuation Date, the book value of current assets of the Pacific Surplus Group amounted to approximately RMB19.3 million, mainly comprised of (i) prepayments and other receivables of approximately RMB11.3 million; (ii) inventories of approximately RMB6.3 million; and (iii) cash and cash equivalents of approximately RMB1.7 million.

As set out in the Valuation Report, prepayments and other receivables arise from the normal business operations, are current in nature and are expected to be settled within the current fiscal period, it is considered that their fair values are not materially different from their book values, and no individual valuations on them were performed.

Inventories represent raw materials for the products of the business. The Valuer considered that the fair value of such raw materials to be not materially different from the book value.

Cash and cash equivalents represents cash in banks and time deposits and is the most liquid asset available for use of the firm. The fair value of cash and cash equivalents is equal to their book value.

As set out in the Valuation Report, amount due from fellow subsidiaries should be settled either on demand or in short period of time and no material timing difference was noted. No adjustment was made to its fair value.

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Current and non-current liabilities

Book value of total liabilities of the Pacific Surplus Group amounted to approximately RMB66.5 million as of the Valuation Date, which mainly comprised of (i) interest-bearing bank borrowings of approximately RMB50.6 million; (ii) amounts due to immediate holding company and fellow subsidiaries of approximately RMB13.5 million; and (iii) other payables of approximately RMB2.4 million.

As advised by the Valuer, borrowings provided by banks for the business operations of the Pacific Surplus Group are at arm's length, the book value is considered to be not materially different from the fair value.

As set out in the Valuation Report, all other payables, due to fellow subsidiaries and due to immediate holding company should be settled either on demand or in short period of time and no material timing difference was noted. No adjustment was made to its fair value.

Other payables, and deferred tax liabilities arise from the normal business operations, are current in nature and are expected to be settled within the current fiscal period, it is considered that their fair values are not materially different from their book values, and no individual valuations on them were performed.

Based on the above, the appraised net asset value of the Pacific Surplus Group as of the Valuation Date was approximately RMB66.5 million. The Valuer has then applied a discount for lack of marketability (“**DLOM**”) of 15.7% to the adjusted net asset value to arrive at the appraised value of Pacific Surplus of approximately RMB56.0 million. Please refer to the section headed “6.5 Discount for lack of marketability” below for further details of DLOM.

Having discussed with the Valuer and reviewed with it the inputs, assumptions and adjustments adopted and the computation of the valuation and the valuation result, we did not identify any major factors that cause us to doubt the reasonableness of the inputs, assumptions and adjustments adopted or the computation by the Valuer in arriving at the appraised value of Pacific Surplus Group as of the Valuation Date.

6.4 Assessment of the valuation of the Epic Wealth Group

As set out in the section headed “2.3 Principal business of the Epic Wealth Group” above, the Epic Wealth Group is principally engaged in the Wine Business, which includes production and distribution of wine products, planting of vines and sale of wine grapes. As set out in the Valuation Report, the Valuer has identified five comparable companies that are comparable to Epic Wealth in terms of risks and business nature (the “**Comparable Companies**”) based on information publicly available. In selecting the Comparable Companies, the Valuer has adopted the following selection criteria:

- (i) categorised as operating in the alcoholic beverages manufacturing or specialty online retail industry according to Bloomberg;
- (ii) market capitalisation of less than RMB5 billion;
- (iii) over 50% of revenue derived from the businesses of winery aggregately according to their latest published annual reports and company websites;
- (iv) over 50% of revenue derived from the PRC market aggregately; and
- (v) during the one-year period prior to the Valuation Date, the trading of the shares of the company should not have suspended for more than 30 days.

As advised by the Valuer, the selection criteria of market capitalisation below RMB5 billion was due to the fact that companies operating in the PRC with market capitalization of less than RMB5 billion are conventionally considered small/micro market capitalization firms. The Valuer has selected the RMB5 billion market capitalization as the upper bound threshold to exclude companies up to the size of mega corporations which may operate across multiple regions and multiple segments unlike Epic Wealth. We have independently reviewed the latest published financial reports of the Comparable Companies and noted that each of the Comparable Companies has similarities to Epic Wealth in terms of business focus, operating locations of winery, distribution channel and/or revenue contribution from winery business/the PRC. Given the proximity of the Comparable Companies and Epic Wealth, and the limited number of Comparable Companies identified, we consider that the Valuer’s selection criteria are appropriate and sufficient for the Valuation as they enable the Valuer to identify companies with a similar business (i.e. winery) in the same geographical region (i.e. the PRC) as Epic Wealth, with sufficient data publicly available for it to conduct the Valuation.

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Based on the same criteria as set out above, we have, conducted independent research and identified five comparable companies which are identical to those identified by the Valuer. We consider that no other suitable comparable company is omitted as our independent research results are identical to those identified by the Valuer. Based on our independent research on the Comparable Companies, we are of the view that all of the Comparable Companies fit the selection criteria and are fair and representative. As such, we are of the view that the list of the Comparable Companies analysed by the Valuer for the purpose of determining the valuation of Epic Wealth are representative and exhaustive. The following table sets out the details of the Comparable Companies and their EV/S as extracted from the Valuation Report:

Stock code	Company	Market capitalisation (Note 1) HK\$ million	Revenue	Revenue	EV/S ratio times
			attributable to related business (Note 2) %	attributable to the PRC (Note 2) %	
603779.CH	Wei Long Grape Wine Co Ltd. ("Wei Long")	4,400.6	95	95	8.24
600365.CH	Tonghua Grape Wine Co Ltd.	1,398.6	89	99	1.33
828.HK	Dynasty Fine Wines Group Ltd.	514.1	96	100	1.60
8146.HK	The Company	92.9	99	98	1.48
COWH.MK	China Ouhua Winery Holdings Ltd.	46.8	100	100	2.04
				Minimum	1.33
				Maximum	8.24
				Average	2.94

Source: Bloomberg, the Valuation Report and published financial reports of the Comparable Companies

Notes:

1. Market capitalisation are extracted from Bloomberg as at 5 December 2024, the date of the announcement of the Company in relation to the Disposals, with the exchange rate of RMB1.00 = HK\$1.08 and MYR1.00 = HK\$1.75.
2. Revenue contributions are based on the respective latest published financial year results.

As shown in the table above, the EV/S ratios of the Comparable Companies ranges from approximately 1.33 times to 8.24 times with an average of approximately 2.94 times. As advised by the Valuer, despite Wei Long having an EV/S of 8.24 times, which is higher than those of the other Comparable Companies, ranging 1.33 times to

2.04 times, the Valuer considers Wei Long a suitable reference given the similar characteristics of Wei Long and Epic Wealth. As the average value places equal weighting of representation of all the selected comparable companies, and they are considered equally indicative of the market valuation multiple for winery companies, the average EV/S of 2.94 times was used as the proxy EV/S multiple to be applied to arrive at the enterprise value of Epic Wealth. Given the implied EV/S used to determine the consideration of the Epic Wealth Disposal of 2.94 times is higher than all the Comparable Companies except Wei Long, we consider that the Epic Wealth Consideration is not under-valued as compared to the Comparable Companies and is favorable to the Company.

The equity value of Epic Wealth was then calculated based on such enterprise value plus cash and non-operating assts, minus debt and non-operating liabilities of Epic Wealth as at the Valuation Date. The Valuer has further applied a DLOM of 15.7% to arrive at the fair value of the entire equity interest of Epic Wealth of approximately RMB121.2 million. Please refer to the section headed “6.5 Discount for lack of marketability” below for further details of DLOM.

6.5 Discount for lack of marketability

As advised by the Valuer, DLOM is commonly considered in the valuations of privately held companies as they are not readily marketable and would face more difficulty in converting their shares into cash as compared with publicly held companies. As set out in the Valuation Report, the Valuer applied the DLOM of 15.7% based on the 2023 Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability.

We have reviewed “Control Premium & Discount for Lack of Marketability Study (Issue 4 – November 2024)” issued by Moore Hong Kong (a member firm of Moore Global Network Limited which is a global accounting and consulting network) which has summarised the DLOMs adopted and disclosed in the circulars issued by Hong Kong listed Companies in the past twelve months and noted that those DLOMs adopted ranged from 2.6% to 42.9% with an average of 18.9% and a median of 16.0%. Given the DLOM of 15.7% used by the Valuer falls within the range of and close to the median of the DLOMs adopted by other Hong Kong listed companies in the past twelve months, we consider the DLOM adopted by the Valuer to be fair and reasonable.

6.6 Discount for lack of control

As advised by the Valuer, DLOC is a common valuation adjustment applied to reflect downward adjustment with regard to ability to make decisions and changes resulting from lack of control over the subject asset. Based on the International Valuation Standard, a DLOC may be appropriate to apply when valuing a subject asset that reflects a minority interest.

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As the Pacific Surplus Disposal involves entire equity interest of Pacific Surplus, no DLOC was applied to the valuation of Pacific Surplus. For the Epic Wealth Disposal, the 30% equity of Epic Wealth represents a minority interest value basis. In accordance with common valuation practices, because the valuation under the guideline public company method (market approach) is conducted using market information of common stock (minority stake) of public companies traded in open markets, the guideline public company method is generally considered to arrive at a minority control value basis. Therefore, no adjustment for control is considered necessary for the valuation of 30% equity of Epic Wealth.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among others, the reasons and appropriateness of adopting the summation method under the asset-based approach for the valuation of Pacific Surplus and market approach for the valuation of Epic Wealth, the basis, assumptions and methodology adopted in the Valuation Report, and the valuation work and adjustments performed by the Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report.

In view of (i) the methodology, bases, assumptions, parameters and computation adopted by the Valuer in determining the valuation of Pacific Surplus and Epic Wealth are appropriate; (ii) the Pacific Surplus Consideration and the Epic Wealth Consideration are made with reference to and nearly equivalent to the respective appraised value of the disposed assets as at the Valuation Date which was fairly and reasonably determined by the Valuer, taking into account the outstanding amount of the Sale Loan in respect of Pacific Surplus; and (iii) the reasons for and benefits of the Disposals as discussed in the section headed “3. Reasons for and benefits of the Disposals” above, we consider the Pacific Surplus Consideration and the Epic Wealth Consideration to be fair and reasonable so far as the Independent Shareholders are concerned.

7. Use of proceeds and Special Dividends

As disclosed in the Announcements, the Board had approved the declaration of the Pacific Surplus Special Dividend (being HK7.802 cents per Share) and the Epic Wealth Special Dividend (being HK4.256 cents per Share), subject to the satisfaction of the requisite conditions. Please refer to the section headed “9. Proposed declaration and payment of Special Dividends” in the Letter from the Board for detailed information of the Special Dividends.

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The table below shows the amount of gross proceeds, amount of net proceeds and the use of net proceeds under different scenarios of (i) both Disposals take place; (ii) only the Pacific Surplus Disposal takes place; and (iii) only the Epic Wealth Disposal takes place:

	Both Disposals take place		Only the Pacific Surplus Disposal takes place		Only the Epic Wealth Disposal takes place	
Gross proceeds	HK\$110.16 million		HK\$71.28 million		HK\$38.88 million	
Net proceeds (after deducting transaction costs and professional expenses)	approximately HK\$106.5 million		approximately HK\$67.9 million		approximately HK\$35.5 million	
Use of net proceeds	(i)	approximately HK\$10.0 million, representing approximately 9.4% of the net proceeds, will be used as general working capital of the Group; and	(i)	approximately HK\$5.5 million, representing approximately 8.1% of the net proceeds, will be used as general working capital of the Group; and	(i)	approximately HK\$1.5 million, representing approximately 4.1% of the net proceeds, will be used as general working capital of the Group; and
	(ii)	approximately HK\$96.5 million, representing approximately 90.6% of the net proceeds, will be used for distribution of the Special Dividend	(ii)	approximately HK\$62.5 million, representing approximately 91.9% of the net proceeds, will be used for distribution of the Pacific Surplus Special Dividend	(ii)	approximately HK\$34.1 million, representing approximately 95.9% of the net proceeds, will be used for distribution of the Epic Wealth Special Dividend

Note: The distribution of the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend is/are subject to the fulfillment of any applicable conditions (including the Independent Shareholders having approved the Pacific Surplus Disposal and the distribution and payment of the Pacific Surplus Special Dividend, and/or the Epic Wealth Disposal and the distribution and payment of the Epic Wealth Special Dividend at the EGM).

As set out in the table above, if both the Pacific Surplus Disposal and the Epic Wealth Disposal take place, an aggregate of approximately HK\$96.5 million, or approximately 90.6% of the net proceeds, will be distributed as special dividend to the Shareholders. The aggregate special dividend of HK\$12.058 cents per Share represent a dividend yield of approximately 120.6% based on the closing price of the Share on the date of the Disposal Agreements. Each of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend is subject to Pacific Surplus Completion and Epic Wealth Completion, respectively.

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The Pacific Surplus Completion and the Epic Wealth Completion will be subject to conditions including, among others, the declaration, distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, having been approved by the Independent Shareholders at the EGM. If the declaration and payment of the Pacific Surplus Special Dividend is not approved by the Independent Shareholders, completion of the Pacific Surplus Disposal will not take place. If the declaration and payment of the Epic Wealth Special Dividend is not approved by the Independent Shareholders, completion of the Epic Wealth Disposal will not take place. Please refer to sections headed “2.1 Pacific Surplus Agreements” and “3.1 Epic Wealth Agreements” of the Letter from the Board for further details of the conditions precedent applicable to the Pacific Surplus Disposal and the Epic Wealth Disposal.

Having considered the reasons for and benefits of the Disposals as detailed in the section headed “3. Reasons for and benefits of the Disposals” above, the Special Dividends, if approved, (i) will allow the Shareholders to immediately realise substantial value from their shareholdings in the Company while continuing to be invested in the Company’s remaining businesses; (ii) provides the opportunity for a substantial and immediate cash realisation to the Shareholders from the outcome of the Disposals; and (iii) may be a sweetener to the Shareholders when considering their voting decisions for the resolutions in relation to the Disposals, we concur with the Directors that the proposed distribution of the Special Dividends is, if materialised, in the interests of Company and the Shareholders as a whole.

Each of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend is subject to the Pacific Surplus Completion and the Epic Wealth Completion, respectively. As a result, the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend may or may not be distributed and paid. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

8. Financial impacts of the Disposals

Upon the Pacific Surplus Completion, the Pacific Surplus Group will cease to be subsidiaries of the Company, and the financial results of the Pacific Surplus Group will cease to be consolidated in the financial statements of the Group. As a result of the Pacific Surplus Disposal, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss for the year ended 31 December 2024, calculated on the basis of the difference between the Pacific Surplus Consideration, the unaudited net asset value of the Pacific Surplus Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal. According to Appendix III to the Circular, assuming the Pacific Surplus Disposal has been completed on 30 June 2024, the Group will record an estimated decrease in assets and liabilities of approximately RMB81.7 million and RMB55.8 million, respectively.

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Upon the Epic Wealth Completion, the Company will hold 70% of the total issued shares of Epic Wealth. As such, the Epic Wealth Group will remain as subsidiaries of the Company, and the financial results of the Epic Wealth Group will continue to be consolidated in the financial statements of the Group upon the Epic Wealth Completion. As a result of the Epic Wealth Disposal standalone, it is expected that the Group will recognise a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ended 31 December 2024, calculated on the basis of the difference between the Epic Wealth Consideration, the unaudited net asset value of the Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Epic Wealth Disposal. According to Appendix III to the Circular, assuming the Epic Wealth Disposal has been completed on 30 June 2024, the Group will record an estimated increase in assets and liabilities of approximately RMB33.2 million and RMB3.9 million, respectively.

In the case of the completion of both Disposals, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss and a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ended 31 December 2024, calculated on the basis of the difference between the sum of Pacific Surplus Consideration and Epic Wealth Consideration, the unaudited net asset values of the Pacific Surplus Group and the Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal and the Epic Wealth Disposal. According to Appendix III to the Circular, assuming the Disposals have been completed on 30 June 2024, the Group will record an estimated decrease in assets and liabilities of approximately RMB45.7 million and RMB55.8 million, respectively.

Upon the completion of both Disposals, the Group will no longer have interest-bearing bank borrowings, which will improve the gearing level and reduce the interest burden of the Group.

The aforesaid financial impact is shown for illustrative purpose only and does not purport to represent the financial position of the Group after the Pacific Surplus Completion and the Epic Wealth Completion. The actual financial effect of the Disposals will be determined with reference to the financial status of the Pacific Surplus Group and the Epic Wealth Group as at the date of the Pacific Surplus Completion and the Epic Wealth Completion, respectively. Please refer to Appendix III of the Circular for details of the unaudited pro forma financial information of the Remaining Group.

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DISCUSSION AND ANALYSIS

In reaching our opinion and recommendation below, we have taken into account the factors set out under the section headed “Principal Factors and Reasons Considered” above, none of which can be considered in isolation. We would like to draw the attention of the Independent Shareholders in particular to the points summarised below:

- (i) the slowdown of the China whisky and gin industry and the uncertainties of the China wine industry in the near term;
- (ii) the Pacific Surplus Consideration and the Epic Wealth Consideration, which were determined with reference to their respective appraised value as at 30 September 2024 based on the Valuation Report, are fair and reasonable so far as the Independent Shareholders are concerned;
- (iii) the terms of the Disposals, including those contemplated under the Pacific Surplus Agreements and the Epic Wealth Agreements, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and
- (iv) the Disposals are akin to a privatisation exercise and the Pacific Special Surplus Dividend and the Epic Wealth Special Dividend, which represent approximately 38.1% and 20.8% of the value of the Shares as at the Latest Practicable Date respectively, will generate immediate value to Shareholders.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that each of the Disposals, though not in the ordinary and usual course of business of the Group, is, considered separately and together, in the interests of the Company and the Shareholders as a whole, and that the terms of the Pacific Surplus Agreements and the Epic Wealth Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to approve the relevant resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
Somerley Capital Limited
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over twenty years of experience in the corporate finance industry.

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024, are disclosed in the following documents which have been published both on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <http://www.gracewine.com.hk>, respectively:

- Annual report of the Company for the year ended 31 December 2021 (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0329/2022032900579.pdf>);
- Annual report of the Company for the year ended 31 December 2022 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001012.pdf>);
- Annual report of the Company for the year ended 31 December 2023 (<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0327/2024032701567.pdf>); and
- Interim report of the Company for the six months ended 30 June 2024 (<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0905/2024090500653.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as summarized below:

Borrowings

The Group's borrowings primarily consisted of long-term interest bearing bank borrowings and amounts due to related parties.

As at the close of business on 30 November 2024, the Group had total outstanding borrowings of approximately RMB72.7 million, further details of which are set out below:

	As at 30 November 2024 RMB'000
Non-current	
Interest-bearing bank borrowings	
– Secured	61,946
Current	
Amounts due to related parties	
– Unsecured	10,787
Total	72,733

As at the close of business on 30 November 2024, the Group had borrowings of RMB51.9 million and RMB10 million under the Project Loan and the Credit Line respectively. The Project Loan were secured and guaranteed by: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank with a total carrying value of approximately RMB52.28 million; (b) the Mortgaged Commercial Properties; (c) a personal guarantee provided by Ms. Chan; and (d) the Project Loan Guarantee provided by Shanxi Grace Vineyard. The Credit Line were secured and guaranteed by: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank; (b) a personal guarantee provided by Ms. Chan; and (c) the Credit Line Guarantee provided by Shanxi Grace Vineyard. Amounts due to related parties of approximately RMB10.8 million of the Group are unsecured, interest-free and repayable on demand.

Lease liabilities

As at the close of business on 30 November 2024, the Group, as a lessee, had lease liabilities for the remainder of the relevant lease terms amounting to RMB2.15 million in aggregate, all of which were unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of the business on 30 November 2024, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 30 November 2024.

3. WORKING CAPITAL

The Directors, after due and careful consideration and taking into account the effects of Pacific Surplus Disposal and Epic Wealth Disposal, and the distribution and payment of the Special Dividends, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; and (ii) the Group's presently available banking facilities, the Group will have sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As at the Latest Practicable Date:

- (i) Pacific Surplus Group are wholly-owned subsidiaries of the Company and the financial results of the Pacific Surplus Group are consolidated in the financial statements of the Group. Upon the Pacific Surplus Completion, the Company will no longer hold any interest in Pacific Surplus Group and Pacific Surplus Group will cease to be wholly-owned subsidiaries of the Company; and
- (ii) Epic Wealth Group are wholly-owned subsidiaries of the Company and the financial results of the Epic Wealth Group are consolidated in the financial statements of the Group. Upon the Epic Wealth Completion, the Company will hold 70% interests in Epic Wealth Group and Epic Health Group will continue to be the wholly-owned subsidiaries of the Company and the financial results of the Epic Wealth Group will remain being consolidated in the financial statements of the Group, while 30% of non-controlling interests will be held by Ms. Chan.

The Company is an investment holding company. Immediately after Pacific Surplus Disposal and Epic Wealth Disposal, it is expected that the Remaining Group would carry on the Winery Business.

The Pacific Surplus Disposal will enable the Group to devote more financial and operational resources on the Winery Business, ensuring that the Remaining Group continues to

thrive in the dynamic and competitive winery industry, while the Group will be beneficial from Epic Wealth Disposal as (i) it can mitigate the financial impact of any adverse performance of the Winery Business as 30% of the financial results will be borne by Ms. Chan, being a minority shareholder of the Winery Business and holding non-controlling interests in the Winery Business; (ii) Ms. Chan is further increasing her equity interest directly in the Winery Business through the Epic Wealth Disposal indicating her confidence in the future prospect in the Winery Business; and (iii) it is Ms. Chan's intention to contribute capital to the Winery Business proportionately based on the percentage of the shareholdings with the Group if and when capital injection is required, which will provide additional resources to meet the Group's funding needs during the sluggish time of the wine market. However, it is noted that Ms. Chan's current intention to contribute capital is not legally binding on Ms. Chan, and Ms. Chan may decide, based on her then financial capabilities and commercial terms of the transaction, whether to further invest in the Group.

The Remaining Group will continue to put efforts on promoting its wine products. The management of the Remaining Group will closely monitor the on-going market trend, including consumer behaviors shifts, competitive activities and industry development. The management will also expand the distribution channels and increase the market promotion activities in response to changes in the market. Additionally, the Group will also leverage social media to build stronger connections with consumers and continuing to strengthen the reputation of the existing brands among consumers. Going forward, the Company will periodically review the performance and prospects of its Winery Business, managing it with the objective of maximising the return for its Shareholders while considering the resources available to the Group, aiming to enhance the Remaining Group's financial performance and providing for the long-term sustainability of the Company.

UNAUDITED FINANCIAL INFORMATION OF THE PACIFIC SURPLUS GROUP

Set out below are the unaudited combined statements of financial position of Pacific Surplus Limited (“**Pacific Surplus**”) and its subsidiaries (including Fujian Dexi Wine Holdings Co., Ltd.* (“**福建德熙酒業有限公司**”) (“**Fujian Dexi**”)) which is principally engaged in the production of spirits of whisky and gin (collectively, the “**Pacific Surplus Group**”, as further explained in note 1 below) as at 31 December 2021, 2022 and 2023 and 30 September 2024, and the unaudited combined statements of profit or loss and other comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Pacific Surplus Group for the years then ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 (“the **Relevant Periods**”), and explanatory notes (collectively referred to as the “**Unaudited Financial Information**”).

The Unaudited Financial Information of the Pacific Surplus Group has been prepared in accordance with Rule 19.68(2)(a)(i) of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and prepared on the basis set out in note 2 to the Unaudited Financial Information. The Unaudited Financial Information is prepared by the directors of Grace Wine Holdings Limited (the “**Company**”) using the accounting policies of the Company solely for the purposes of inclusion in this circular in connection with the Pacific Surplus Disposal.

Ernst & Young, Certified Public Accountants, the auditor of the Company, was engaged to review the Unaudited Financial Information of the Pacific Surplus Group set out on pages IIA-2 to IIA-10 of this circular in accordance with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Financial Information of the Pacific Surplus Group, nothing has come to the auditor’s attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.2 to the Unaudited Financial Information of the Pacific Surplus Group.

(A) THE PACIFIC SURPLUS GROUP

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	–	63	10,017	2,911	4,592
Cost of sales	–	(44)	(4,756)	(1,289)	(2,111)
Gross profit	–	19	5,261	1,622	2,481
Other income and gains, net	322	425	592	586	65
Selling and marketing expenses	–	(134)	(194)	(138)	(83)
Administrative expenses	(2,562)	(1,689)	(4,898)	(4,377)	(4,898)
Finance costs	–	(217)	(803)	(646)	(897)
LOSS BEFORE TAX	(2,240)	(1,596)	(42)	(2,953)	(3,332)
Income tax expense	–	–	–	–	–
LOSS FOR THE YEAR/PERIOD	(2,240)	(1,596)	(42)	(2,953)	(3,332)
OTHER COMPREHENSIVE INCOME/(LOSS):					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	193	(586)	(225)	439	88
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(2,047)	(2,182)	(267)	(2,514)	(3,244)

APPENDIX IIA**FINANCIAL INFORMATION OF THE
PACIFIC SURPLUS GROUP****UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION***As at 31 December 2021, 2022 and 2023 and 30 September 2024*

	As at 31 December			As at
	2021	2022	2023	30 September
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	65,752	80,813	109,121	120,641
Right-of-use assets	7,421	7,266	7,302	6,994
Goodwill	2,726	2,726	2,726	2,726
Prepayments	3,766	1,612	–	–
	<u>79,665</u>	<u>92,417</u>	<u>119,149</u>	<u>130,361</u>
TOTAL non-current assets	<u>79,665</u>	<u>92,417</u>	<u>119,149</u>	<u>130,361</u>
CURRENT ASSETS				
Inventories	31	170	2,342	6,268
Trade receivables	–	–	10	–
Prepayments and other receivables	8,892	7,065	9,892	11,335
Due from a fellow subsidiary	–	–	–	3
Cash and cash equivalents	11,889	20,711	5,434	1,651
	<u>20,812</u>	<u>27,946</u>	<u>17,678</u>	<u>19,257</u>
TOTAL current assets	<u>20,812</u>	<u>27,946</u>	<u>17,678</u>	<u>19,257</u>
CURRENT LIABILITIES				
Other payables and accruals	(23,253)	(7,180)	(5,432)	(2,388)
Due to immediate holding company	(7,313)	(7,930)	(8,364)	(8,385)
Due to fellow subsidiaries	(1,099)	(1,303)	(4,001)	(5,137)
Interest-bearing bank borrowings	–	–	–	(1,305)
	<u>(31,665)</u>	<u>(16,413)</u>	<u>(17,797)</u>	<u>(17,215)</u>
TOTAL current liabilities	<u>(31,665)</u>	<u>(16,413)</u>	<u>(17,797)</u>	<u>(17,215)</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(10,853)</u>	<u>11,533</u>	<u>(119)</u>	<u>2,042</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>68,812</u>	<u>103,950</u>	<u>119,030</u>	<u>132,403</u>

	As at 31 December		As at 30 September	
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(28)	(28)	(28)	(28)
Interest-bearing bank borrowings	—	(17,320)	(32,667)	(49,284)
Total non-current liabilities	(28)	(17,348)	(32,695)	(49,312)
Net assets	68,784	86,602	86,335	83,091
EQUITY				
Issued capital	13,529	13,529	13,529	13,529
Reserves	55,255	73,073	72,806	69,562
Total equity	68,784	86,602	86,335	83,091

UNAUDITED COMBINED STATEMENTS OF CHANGE IN EQUITY

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Share capital RMB'000 (Unaudited)	Merger reserve RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Accumulated losses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2021	1	33,000	300	(1,598)	31,703
Loss for the year	–	–	–	(2,240)	(2,240)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	193	–	193
Total comprehensive income/(loss) for the year	–	–	193	(2,240)	(2,047)
Issue of shares	13,528	–	–	–	13,528
Capital contribution	–	25,600	–	–	25,600
At 31 December 2021 and 1 January 2022	13,529	58,600	493	(3,838)	68,784
Loss for the year	–	–	–	(1,596)	(1,596)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	–	–	(586)	–	(586)
Total comprehensive loss for the year	–	–	(586)	(1,596)	(2,182)
Capital contribution	–	20,000	–	–	20,000
At 31 December 2022 and 1 January 2023	13,529	78,600	(93)	(5,434)	86,602
Loss for the year	–	–	–	(42)	(42)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	–	–	(225)	–	(225)
Total comprehensive loss for the year	–	–	(225)	(42)	(267)
At 31 December 2023	13,529	78,600	(318)	(5,476)	86,335

APPENDIX IIA
**FINANCIAL INFORMATION OF THE
PACIFIC SURPLUS GROUP**

	Share capital <i>RMB'000</i> (Unaudited)	Merger reserve <i>RMB'000</i> (Unaudited)	Exchange fluctuation reserve <i>RMB'000</i> (Unaudited)	Accumulated losses <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2023	13,529	78,600	(93)	(5,434)	86,602
Loss for the period	–	–	–	(2,952)	(2,952)
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	–	–	(439)	–	(439)
Total comprehensive income/(loss) for the period	–	–	(439)	(2,952)	(3,391)
At 30 September 2023	<u>13,529</u>	<u>78,600</u>	<u>(532)</u>	<u>(8,386)</u>	<u>83,211</u>
At 1 January 2024	13,529	78,600	(318)	(5,476)	86,335
Loss for the period	–	–	–	(3,332)	(3,332)
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	–	–	88	–	88
Total comprehensive income/(loss) for the period	–	–	88	(3,332)	(3,244)
At 30 September 2024	<u>13,529</u>	<u>78,600</u>	<u>(230)</u>	<u>(8,808)</u>	<u>83,091</u>

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Loss before tax	(2,240)	(1,596)	(42)	(2,952)	(3,332)
Adjustments for:					
Finance costs	–	217	803	646	897
Bank interest income	(322)	(224)	(125)	(123)	(65)
Depreciation of property, plant and equipment	84	102	3,214	2,800	1,492
Gains on disposal of items of plant and equipment, net	–	–	–	–	(20)
Government Grant Income	–	(201)	(463)	(463)	–
	(2,478)	(1,702)	3,387	(92)	(1,028)
(Increase)/decrease in inventories	29	(139)	(2,162)	(1,237)	(3,916)
(Increase)/decrease in trade receivables	–	–	(10)	–	10
(Increase)/decrease in prepayments and other receivables	(4,266)	1,984	(2,852)	(2,363)	(1,126)
Decrease in amount due from immediate holding company	1	–	–	–	–
Decrease in other payables and accruals	(7,727)	(16,142)	(1,760)	(2,794)	(5,023)
Decrease/(increase) in amount due to immediate holding company	409	617	434	(5,546)	21
Increase in amount due to fellow subsidiaries	603	204	2,698	7,237	1,136
Increase in amount due from fellow subsidiaries	–	–	–	–	(3)
Receipt of Government Grant	–	201	463	463	–
Cash (used in)/generated from operations	(13,429)	(14,977)	198	(4,332)	(9,929)
Interest received	322	224	125	123	65
Interest paid	–	(217)	(803)	(646)	(897)
Net cash flows used in operating activities	(13,107)	(14,970)	(480)	(4,855)	(10,761)

APPENDIX IIA**FINANCIAL INFORMATION OF THE
PACIFIC SURPLUS GROUP**

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(174)	(70)	(2,218)	(12,089)	(4,255)
Increase in construction in progress	(30,420)	(12,871)	(27,686)	(2,696)	(6,428)
Proceeds from disposal of items of property, plant and equipment	–	–	–	–	20
Capital injection	25,600	20,000	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash flows (used in)/from investing activities	<u>(4,994)</u>	<u>7,059</u>	<u>(29,904)</u>	<u>(14,785)</u>	<u>(10,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans	–	17,320	32,667	–	17,922
Repayment of bank loans	<u>–</u>	<u>–</u>	<u>(17,320)</u>	<u>–</u>	<u>–</u>
Net cash flows from financing activities	<u>–</u>	<u>17,320</u>	<u>15,347</u>	<u>–</u>	<u>17,922</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(18,101)	9,409	(15,037)	(19,640)	(3,502)
Cash and cash equivalents at beginning of year	29,792	11,889	20,711	20,711	5,434
Effect of foreign exchange rate changes, net	<u>198</u>	<u>(587)</u>	<u>(240)</u>	<u>(540)</u>	<u>(281)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>11,889</u>	<u>20,711</u>	<u>5,434</u>	<u>531</u>	<u>1,651</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances	<u>11,889</u>	<u>20,711</u>	<u>5,434</u>	<u>531</u>	<u>1,651</u>

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Pacific Surplus Limited is a limited liability company incorporated in the British Virgin Islands (the “BVI”). Its registered address is Wickham’s Cay II, Road Town, Tortola, British Virgin Islands.

Pacific Surplus is an investment holding company. As at 30 September 2024, it had two wholly-owned subsidiaries, namely Maxco Asia Limited (“**Maxco**”) and Longyan Longchuang Liquor Co., Ltd.* (“**龍岩龍創酒業有限公司**”) (“**Longyan Longchuang**”). Maxco is incorporated in Hong Kong with limited liability and an investment holding company. Longyan Longchuang is incorporated in the People’s Republic of China (“**PRC**”) as a wholly-foreign-owned enterprises under the PRC law and was dormant during the Relevant Periods.

Fujian Dexi, a subsidiary of Maxco, was principally engaged in production and distribution of spirits of whisky and gin (the “**Disposed Business**”) during the Relevant Periods.

As at 30 September 2024, Maxco held 17.8% equity interest in Fujian Dexi. Pursuant to the Fujian Dexi Reorganisation as more fully explained in section headed “DEFINITIONS” of the circular, Fujian Dexi will become a wholly-owned subsidiary of Maxco. Pacific Surplus and its subsidiaries comprising the Pacific Surplus Group, including Fujian Dexi, are collectively referred to as the Pacific Surplus Group.

In the opinion of the Company’s directors, the ultimate holding company of the Pacific Surplus is Macmillan Equity Limited, a company incorporated in the BVI. The entire issued capital of Macmillan Equity Limited is held by Ms. Judy Chan as at the date of this circular.

2. BASIS OF PRESENTATION AND BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

2.1 Basis of presentation

Pursuant to the Fujian Dexi Reorganisation, Pacific Surplus will become the holding company of the companies now comprising the Pacific Surplus Group. The Pacific Surplus Group, including Fujian Dexi, was under the control of the Company throughout the Relevant Periods. Accordingly, the Unaudited Financial Information of the Pacific Surplus Group has been prepared on a combined basis by applying the principal of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Pacific Surplus Group from the earliest date presented or since the date when all the subsidiaries and/or Disposal Business first came under the common control of the Company where this is a shorter period. The combined statements of financial position of the Pacific Surplus Group as at 31 December 2021, 2022 and 2023 and 30 September 2024 have been prepared to present the assets and liabilities of the companies and/or the Disposal Business using the existing book values from the Company’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Fujian Dexi Reorganisation.

All intra-group transactions and balances are eliminated in full on combination.

2.2 Basis of preparation

The Unaudited Financial Information of the Pacific Surplus Group for the Relevant Periods has been prepared solely for the purpose of inclusion in the circular to be issued by the Company, the immediate holding company of Pacific Surplus, in connection with the Pacific Surplus Disposal in accordance with Rule 19.68(2)(a)(i) of the Listing Rules.

The amounts included in the Unaudited Financial Information of the Pacific Surplus Group have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the each of the Relevant Periods, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. This Unaudited Financial Information has been prepared under the historical cost convention.

The Unaudited Financial Information of the Pacific Surplus Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 *Presentation of Financial Statements* issued by the HKICPA and should be read in connection with the relevant published annual reports of the Group for the Relevant Periods.

* *for identification purpose only*

Set out below are the unaudited combined statements of financial position of Epic Wealth Holdings Limited (the “**Epic Wealth**”) and the companies comprising the subsidiaries of Epic Wealth, which were principally engaged in production and distribution of wines (the “**Retained Business**”) (collectively, the “**Epic Wealth Group**”, as further explained in note 1 below) as at 31 December 2021, 2022 and 2023 and 30 September 2024, and the unaudited combined statements of profit or loss and other comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Retained Group for the years then ended 31 December 2021, 2022 and 2023, and the nine months ended 30 September 2024 (the “**Relevant Periods**”), and explanatory notes (collectively referred to as the “**Unaudited Financial Information of the Epic Wealth Group**”).

The Unaudited Financial Information of the Epic Wealth Group has been prepared on the basis set out in note 2 to this Unaudited Financial Information. The Unaudited Financial Information of the Epic Wealth Group is prepared by the directors of Grace Wine Holdings Limited (the “**Company**”) using the accounting policies of the Company solely for the purposes of inclusion in this circular in connection with the Epic Wealth Disposal.

Ernst & Young, Certified Public Accountants, the auditor of the Company, was engaged to review the Unaudited Financial Information of the Epic Wealth Group set out on pages IIB-2 to IIB-13 of this circular with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Financial Information of the Epic Wealth Group, nothing has come to the auditor’s attention that causes them to believe that this Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.2 to the Unaudited Financial Information of the Epic Wealth Group.

(B) THE EPIC WEALTH GROUP**UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	84,724	62,056	59,872	45,644	20,447
Cost of sales	<u>(38,951)</u>	<u>(25,615)</u>	<u>(17,416)</u>	<u>(8,730)</u>	<u>(3,535)</u>
Gross profit	45,773	36,441	42,456	36,914	16,912
Other income and gains, net	1,883	1,468	1,314	832	2,483
Selling and marketing expenses	(12,535)	(13,346)	(12,239)	(10,407)	(9,095)
Administrative expenses	(17,591)	(19,633)	(17,633)	(12,713)	(11,056)
Other operating expenses	(113)	(52)	(80)	(167)	(58)
Finance costs	<u>(87)</u>	<u>(194)</u>	<u>(382)</u>	<u>(324)</u>	<u>(36)</u>
PROFIT/(LOSS) BEFORE TAX	17,330	4,684	13,436	14,135	(850)
Income tax expense	<u>(4,155)</u>	<u>(1,485)</u>	<u>(1,260)</u>	<u>(2,073)</u>	<u>(1,205)</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD	<u>13,175</u>	<u>3,199</u>	<u>12,176</u>	<u>12,062</u>	<u>(2,055)</u>
OTHER COMPREHENSIVE INCOME/(LOSS):					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>2,514</u>	<u>(7,054)</u>	<u>(2,663)</u>	<u>(4,979)</u>	<u>1,016</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	<u>15,689</u>	<u>(3,855)</u>	<u>9,513</u>	<u>7,083</u>	<u>(1,039)</u>

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021, 2022 and 2023 and 30 September 2024

	As at 31 December			As at
	2021	2022	2023	30 September
	RMB'000	RMB'000	RMB'000	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	61,567	55,174	49,971	46,739
Right-of-use assets	12,125	16,130	14,553	13,689
Deferred tax assets	3,704	5,242	5,087	4,172
Financial asset at fair value through other comprehensive income	–	–	1,000	1,000
Prepayments	–	43	–	–
Goodwill	1,361	1,361	1,361	1,361
Total non-current assets	78,757	77,950	71,972	66,961
CURRENT ASSETS				
Inventories	67,191	70,963	79,907	87,644
Trade receivables	1,539	1,592	913	1,293
Prepayments and other receivables	5,576	6,733	4,599	2,729
Due from related parties	–	579	596	590
Due from a fellow subsidiary	1,099	1,303	4,001	5,137
Due from a shareholder	1	1	1	1
Cash and cash equivalents	48,474	52,078	36,151	26,250
Total current assets	123,880	133,249	126,168	123,644
CURRENT LIABILITIES				
Trade payables	(6,681)	(174)	(5)	(423)
Other payables and accruals	(11,316)	(33,801)	(6,225)	(3,468)
Due to related parties	–	–	(10,786)	(10,786)
Due to fellow subsidiaries	–	–	–	(3)
Interest-bearing bank borrowings	–	(8,000)	(2,000)	–
Tax payable	(4,069)	(2,250)	(1,054)	(564)
Lease liabilities	(738)	(259)	(37)	(5)
Total current liabilities	(22,804)	(44,484)	(20,107)	(15,249)

APPENDIX IIB**FINANCIAL INFORMATION OF THE
EPIC WEALTH GROUP**

	As at 31 December		As at
	2021	2022	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
NET CURRENT ASSETS	<u>101,076</u>	<u>88,765</u>	<u>106,061</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>179,833</u>	<u>166,715</u>	<u>178,033</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(2,699)	(3,088)	(3,811)
Lease liabilities	<u>(229)</u>	<u>(2,349)</u>	<u>(2,146)</u>
Total non-current liabilities	<u>(2,928)</u>	<u>(5,437)</u>	<u>(6,026)</u>
Net assets	<u>176,905</u>	<u>161,278</u>	<u>172,007</u>
EQUITY			
Issued capital	1	1	1
Reserves	<u>176,904</u>	<u>161,277</u>	<u>172,006</u>
Total equity	<u>176,905</u>	<u>161,278</u>	<u>169,221</u>

UNAUDITED COMBINED STATEMENTS OF CHANGE IN EQUITY

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Share capital RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Merger reserve RMB'000 (Unaudited)	Statutory reserve funds RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2021	1	93	(33,000)	14,874	(8,881)	129,474	102,561
Profit for the year	-	-	-	-	-	13,175	13,175
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	2,514	-	2,514
Total comprehensive income for the year	-	-	-	-	2,514	13,175	15,689
Capital injection	-	84,256	-	-	-	-	84,256
Capital contribution	-	-	(25,600)	-	-	-	(25,600)
Transfer from retained profits	-	-	-	829	-	(829)	-
At 31 December 2021 and 1 January 2022	1	84,349	(58,600)	15,703	(6,367)	141,820	176,906
Profit for the year	-	-	-	-	-	3,199	3,199
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	(7,054)	-	(7,054)
Total comprehensive income for the year	-	-	-	-	(7,054)	3,199	(3,855)
Capital injection	-	8,227	-	-	-	-	8,227
Capital contribution	-	-	(20,000)	-	-	-	(20,000)
Transfer from retained profits	-	-	-	1,096	-	(1,096)	-
At 31 December 2022 and 1 January 2023	1	92,576	(78,600)	16,799	(13,421)	143,923	161,278

APPENDIX IIB
**FINANCIAL INFORMATION OF THE
EPIC WEALTH GROUP**

	Share capital <i>RMB'000</i> (Unaudited)	Capital reserve <i>RMB'000</i> (Unaudited)	Merger reserve <i>RMB'000</i> (Unaudited)	Statutory reserve funds <i>RMB'000</i> (Unaudited)	Exchange fluctuation reserve <i>RMB'000</i> (Unaudited)	Retained profits <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 31 December 2022 and 1 January 2023	1	92,576	(78,600)	16,799	(13,421)	143,923	161,278
Profit for the year	–	–	–	–	–	12,176	12,176
Other comprehensive income/(loss) for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(2,663)	–	(2,663)
Total comprehensive income/(loss) for the year	–	–	–	–	(2,663)	12,176	9,513
Capital injection	–	1,216	–	–	–	–	1,216
Transfer from retained profits	–	–	–	151	–	(151)	–
At 31 December 2023	<u>1</u>	<u>93,792</u>	<u>(78,600)</u>	<u>16,950</u>	<u>(16,084)</u>	<u>155,948</u>	<u>172,007</u>
At 1 January 2023	1	94,634	(78,600)	16,799	(13,421)	143,923	163,336
Profit for the period	–	–	–	–	–	12,062	12,062
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	(4,979)	–	(4,979)
Total comprehensive income/(loss) for the year	–	–	–	–	(4,979)	12,062	7,083
Capital injection	–	(79,935)	–	–	–	–	(79,935)
Transfer from retained profits	–	–	–	36	–	(36)	–
At 30 September 2023	<u>–</u>	<u>98,964</u>	<u>(78,600)</u>	<u>16,835</u>	<u>(18,399)</u>	<u>153,949</u>	<u>90,484</u>

	Share capital <i>RMB'000</i> (Unaudited)	Capital reserve <i>RMB'000</i> (Unaudited)	Merger reserve <i>RMB'000</i> (Unaudited)	Statutory reserve funds <i>RMB'000</i> (Unaudited)	Exchange fluctuation reserve <i>RMB'000</i> (Unaudited)	Retained profits <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2024	1	93,792	(78,600)	16,950	(16,084)	155,948	172,007
Loss for the year	–	–	–	–	–	(2,055)	(2,055)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	1,016	–	1,016
Total comprehensive loss for the year	–	–	–	–	1,016	(2,055)	(1,039)
Capital injection	–	(1,747)	–	–	–	–	(1,747)
At 30 September 2024	1	92,045	(78,600)	16,950	(15,068)	153,893	169,221

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Profit/(loss) before tax	17,330	4,684	13,436	14,135	(850)
Adjustments for:					
Finance costs	87	194	382	324	36
Bank interest income	(543)	(332)	(445)	(318)	(150)
Depreciation of property, plant and equipment	9,506	9,426	7,181	1,829	4,956
Depreciation of right-of-use assets	1,784	1,484	1,276	801	864
Gains on disposal of items of plant and equipment, net	(283)	(94)	(565)	(45)	(20)
Gain on disposal of property, plant and equipment	(252)	(486)	–	–	–
Gains arising from changes in fair value of agricultural product at the point of harvest	(475)	(1,630)	(2,712)	(2,712)	(1,143)
Government grants	(608)	(493)	(686)	(202)	(1,145)
Write-off of inventories	4	6	170	168	–
Covid-19-related rent concessions from lessor	–	(87)	–	–	–
Gain on termination of a lease contract	(141)	(11)	–	–	–

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	26,409	12,661	18,037	13,980	2,548
Decrease/(increase) in inventories	2,334	4,048	(864)	(1,876)	(6,584)
Additions to biological assets	(1,546)	(2,986)	(4,945)	(3,280)	–
Decrease/(increase) in trade receivables	(299)	4,408	679	651	(380)
Decrease/(increase) in prepayments, deposits and other receivables	2,309	(1,435)	2,146	2,286	1,879
Increase/(decrease) in trade payables	1,232	(6,507)	(169)	527	418
Increase/(decrease) in other payables and accruals	471	9,285	(14,529)	(16,772)	(917)
Decrease in amount due to fellow subsidiaries	(628)	(204)	(2,698)	–	(1,136)
Decrease in amount due from fellow subsidiaries	–	–	–	(1,081)	–
Receipt of government grants	608	493	686	202	1,145
Cash (used in)/generated from operations	30,890	19,763	(1,657)	(5,363)	(3,027)
Interest received	543	332	445	318	150
Interest paid	(87)	(481)	(382)	324	(36)
PRC income tax paid	(3,657)	(1,595)	(5,347)	(725)	(2,396)
Net cash flows (used in)/from operating activities	27,689	18,019	(6,941)	(5,446)	(5,309)
Net cash flows (used in)/from operating activities	27,689	18,019	(6,941)	(5,446)	(5,309)

APPENDIX IIB**FINANCIAL INFORMATION OF THE
EPIC WEALTH GROUP**

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(2,650)	(3,094)	(1,959)	–	(1,723)
Increase in construction in progress	–	–	1,681	–	–
Proceeds from disposal of items of property, plant and equipment	325	105	409	90	20
Prepayment of property, plant and equipment	–	(147)	–	–	–
Acquisition of subsidiaries	–	161	–	–	–
Capital contribution	(25,600)	(20,000)	–	–	–
Purchase of equity investment designated at fair value through other comprehensive income	–	–	(1,000)	–	–
Net cash flows used in investing activities	(27,925)	(22,975)	(869)	90	(1,703)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	–	8,000	–	–	–
New bank loans	–	–	4,000	11,000	–
Repayment of bank loans	–	–	(10,000)	(9,000)	(2,000)
Principal portion of lease payments	(1,231)	(677)	(356)	(262)	(105)
Capital injection	413	8,227	3,274	4,330	(1,747)
Net cash flows (used in)/from financing activities	(818)	15,550	(3,082)	6,068	(3,852)

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE)					
IN CASH AND CASH					
EQUIVALENTS	(1,054)	10,594	(10,892)	712	(10,864)
Cash and cash equivalents at					
beginning of year	47,009	48,474	52,078	52,078	36,151
Effect of foreign exchange rate					
changes, net	2,519	(6,990)	(5,035)	(6,700)	963
	<u>48,474</u>	<u>52,078</u>	<u>36,151</u>	<u>46,090</u>	<u>26,250</u>
CASH AND CASH					
EQUIVALENTS AT END OF					
YEAR/PERIOD	<u>48,474</u>	<u>52,078</u>	<u>36,151</u>	<u>46,090</u>	<u>26,250</u>
ANALYSIS OF BALANCES OF					
CASH AND CASH					
EQUIVALENTS					
Bank balances	<u>48,474</u>	<u>52,078</u>	<u>36,151</u>	<u>46,090</u>	<u>26,250</u>

NOTES TO THE UNAUDITED FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

Epic Wealth is a limited liability company incorporated in the British Virgin Islands (the “BVI”) on 15 November 2024. Its registered address is Ellen L. Skelton Building, Ground Floor, Fishers Lane, Road Town, Tortola, British Virgin Islands, VG1110.

Epic Wealth is an investment holding company. The companies now comprising the subsidiaries of Epic Wealth were principally engaged in the production and distribution of wine and other alcoholic products during the Relevant Periods.

Pursuant to the Epic Wealth Reorganisation as more fully explained in section headed “DEFINITIONS” of the circular, Epic Wealth will become the holding company of the subsidiaries principally engaged in the Retained Business.

The immediate holding company of Epic Wealth is Grace Wine Holdings Limited, which is incorporated in the Cayman Islands with limited liability.

In the opinion of the Company’s directors, the ultimate holding company of the Epic Wealth is Macmillan Equity Limited, a company incorporated in the BVI. The entire issued capital of Macmillan Equity Limited is held by Ms. Judy Chan as at the date of this circular.

2. BASIS OF PRESENTATION AND BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION**2.1 Basis of presentation**

Pursuant to the Epic Wealth Reorganisation, Epic Wealth will become the holding company of the companies comprising the Medford Global Limited, Grandtel Limited, Grand Fiesta Limited, Mercci Limited, Clover Star International Limited and Interfusion Limited, all of them were under the control of the Company throughout the Relevant Periods. Accordingly, for the purpose of this circular in connection with the disposal of partial interest in Epic Wealth, the Unaudited Financial Information of the Epic Wealth Group has been prepared on a combined basis by applying the principles of merger accounting as if the Epic Wealth Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Epic Wealth Group for the Relevant Periods include the results and cash flows of all companies now comprising the Epic Wealth Group as if the current structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 September 2024 have been prepared to present the assets and liabilities of the companies and/or the Retained Business using the existing book values from the Company’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Epic Wealth Reorganisation.

All intra-group transactions and balances are eliminated in full on consolidation.

2.2 Basis of preparation

The Unaudited Financial Information of the Epic Wealth Group has been prepared solely for the purpose of inclusion in the circular to be issued by the Company, the immediate holding company of Epic Wealth, in connection with the Epic Wealth Disposal in accordance with Rule 19.68(2)(a)(i) of the Listing Rules.

The amounts included in the Unaudited Financial Information of the Epic Wealth Group have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the

preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the relevant periods, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Unaudited Financial Information of the Epic Wealth Group has been prepared under the historical cost convention.

The Unaudited Financial Information of the Epic Wealth Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 *Presentation of Financial Statements* issued by the HKICPA and should be read in connection with the relevant published annual reports of the Group for the Relevant Periods.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

The following is an illustrative and unaudited pro forma financial information of the Group excluding the Pacific Surplus Group and 30% of the issued share capital of Epic Wealth Holdings Limited (collectively, the “**Disposal Groups**”) upon the completion of the Disposals (the “**Unaudited Pro Forma Financial Information**”), comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2024, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 of the Remaining Group which has been prepared to illustrate the effect of the Pacific Surplus Disposal and Epic Wealth Disposal (collectively, the “**Proposed Disposals**”) (i) as if the Proposed Disposals had been completed on 30 June 2024 for the unaudited pro forma consolidated statement of financial position, and (ii) as if the Proposed Disposals had been completed on 1 January 2023 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with Rule 7.31 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 June 2024 or any future date, and the financial performance and cash flows of the Remaining Group for the year ended 31 December 2023 or for any future period.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024, which has been extracted from the published interim report of the Group for the six months ended 30 June 2024, after making certain pro forma adjustments relating to the Proposed Disposals that are factually supportable and directly attributable to the Proposed Disposals as set out below.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023, which has been extracted from the published annual report of the Group for the year ended 31 December 2023, after making certain pro forma adjustments relating to the Proposed Disposals that are factually supportable and directly attributable to the Proposed Disposals as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this circular, the published annual report of the Group for the year ended 31 December 2023, the published interim report of the Group for the six months ended 30 June 2024, the historical financial information of the Disposal Groups as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP (PACIFIC SURPLUS DISPOSAL)

As at 30 June 2024

	The Group <i>RMB'000</i> (unaudited) <i>(note 1)</i>	Pro forma adjustments <i>RMB'000</i> <i>RMB'000</i> <i>RMB'000</i> <i>RMB'000</i> <i>(note 2(a))</i> <i>(note 2(b))</i> <i>(note 2(c))</i>			The Remaining Group <i>RMB'000</i> (unaudited)
NON-CURRENT ASSETS					
Property, plant and equipment	165,191	–	(117,950)	–	47,241
Right-of-use assets	20,950	–	(7,033)	–	13,917
Goodwill	4,087	–	(2,726)	–	1,361
Equity investment designated at fair value through other comprehensive income	1,000	–	–	–	1,000
Deferred tax assets	4,056	–	–	–	4,056
Total non-current assets	195,284	–	(127,709)	–	67,575
CURRENT ASSETS					
Inventories	90,071	–	(5,292)	–	84,779
Biological assets	2,133	–	–	–	2,133
Trade receivables	717	–	(2)	–	715
Prepayments, deposits and other receivables	14,065	–	(10,920)	–	3,145
Cash and cash equivalents	31,555	–	(587)	62,826	93,794
Total current assets	138,541	–	(16,801)	62,826	184,566
CURRENT LIABILITIES					
Trade payables	83	–	–	–	83
Other payables and accruals	20,170	–	(16,251)	–	3,919
Interest-bearing bank borrowings	1,305	–	(1,305)	–	–
Lease liabilities	41	–	–	–	41
Tax payables	643	–	–	–	643
Total current liabilities	22,242	–	(17,556)	–	4,686
NET CURRENT ASSETS	116,299	–	755	62,826	179,880
TOTAL ASSETS LESS CURRENT LIABILITIES	311,583	–	(126,954)	62,826	247,455

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments				The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>		
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	42,187	–	(42,187)	–	–	
Lease liabilities	2,144	–	–	–	2,144	
Deferred tax liabilities	3,731	3,930	(28)	–	7,633	
	<u>48,062</u>	<u>3,930</u>	<u>(42,215)</u>	<u>–</u>	<u>9,777</u>	
Total non-current liabilities	<u>48,062</u>	<u>3,930</u>	<u>(42,215)</u>	<u>–</u>	<u>9,777</u>	
Net assets	<u>263,521</u>	<u>(3,930)</u>	<u>(84,739)</u>	<u>62,826</u>	<u>237,678</u>	
EQUITY						
Issued capital	675	–	–	–	675	
Reserves	262,846	(3,930)	(84,739)	62,826	178,706	
Total equity	<u>263,521</u>	<u>(3,930)</u>	<u>(84,739)</u>	<u>62,826</u>	<u>237,678</u>	

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
REMAINING GROUP (PACIFIC SURPLUS DISPOSAL)**

For the year ended 31 December 2023

	The		Pro forma adjustments		The
	Group				Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>	
Cash flows from operating activities					
Net cash flows used in operating activities	(9,426)	—	480	—	(8,946)
Cash flows from investing activities					
Purchases of items of property, plant and equipment	(4,058)	—	2,218	—	(1,840)
(Increase)/decrease in construction in progress	(26,083)	—	27,686	—	1,603
Proceeds from disposal of items of property, plant and equipment	308	—	—	—	308
Disposal of subsidiaries	—	—	—	39,446	39,446
Purchase of equity investment designated at fair value through other comprehensive income	(1,000)	—	—	—	(1,000)
Net cash flows used in investing activities	(30,833)	—	29,904	39,446	38,517

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Group
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>		
Cash flows from financing activities						
New bank loans	36,667	–	(32,667)	–	4,000	
Repayment of bank loans	(27,320)	–	17,320	–	(10,000)	
Principal portion of lease payments	(356)	–	–	–	(356)	
	<u>8,991</u>	<u>–</u>	<u>(15,347)</u>	<u>–</u>	<u>(6,356)</u>	
Net increase/(decrease) in cash and cash equivalents	(31,268)	–	15,037	39,446	23,215	
Cash and cash equivalents at beginning of year	73,367	–	–	–	73,367	
Effect of foreign exchange rate changes, net	(229)	–	240	–	11	
Cash and cash equivalents at end of year	<u><u>41,870</u></u>	<u><u>–</u></u>	<u><u>15,277</u></u>	<u><u>39,446</u></u>	<u><u>96,593</u></u>	

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF THE REMAINING GROUP (PACIFIC SURPLUS DISPOSAL)

For the year ended 31 December 2023

	The	Pro forma adjustments			The
	Group				Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>	
Revenue	64,985	–	(10,017)	–	54,968
Cost of sales	(17,340)	–	4,756	–	(12,584)
Gross profit	47,645	–	(5,261)	–	42,384
Other income and gains, net	1,907	–	(592)	–	1,315
Selling and distribution expenses	(12,433)	–	194	–	(12,239)
Administrative expenses	(24,393)	–	4,898	–	(19,495)
Other expenses, net	(80)	–	–	–	(80)
Loss on disposal of subsidiaries	–	–	–	(35,675)	(35,675)
Finance costs	(1,185)	–	803	–	(382)
Profit/(loss) before tax	11,461	–	42	(35,675)	(24,172)
Income tax expense	(1,241)	(3,930)	–	–	(5,171)
Profit/(loss) for the year	<u>10,220</u>	<u>(3,930)</u>	<u>42</u>	<u>(35,675)</u>	<u>(29,343)</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP (PACIFIC SURPLUS DISPOSAL)

For the year ended 31 December 2023

	The Group RMB'000 (unaudited) (note 1)	Pro forma adjustments RMB'000 RMB'000 RMB'000 RMB'000 (note 3(a)) (note 3(b)) (note 3(c))				The Remaining Group RMB'000 (unaudited)
Profit for the year	10,220	(3,930)	42	(35,675)		(29,343)
Other comprehensive income/(loss)						
Other comprehensive loss that may be reclassified to profit or loss in subsequent period:						
Exchange differences on translation of foreign operation	(2,891)	–	225	–		(2,666)
Disposal of subsidiaries	–	–	–	93		93
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the Company's financial statements	2,977	–	–	–		2,977
Other comprehensive income/(loss) for the year	86	–	225	93		404
Total comprehensive income/(loss) for the year	10,306	(3,930)	267	(35,582)		(28,939)

Notes:

- For the preparation of the unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 as set out in the published interim report of the Group for the six months ended 30 June 2024, whereas for

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

the preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows, the amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023, respectively, as set out in the published annual report of the Group for the year ended 31 December 2023.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Pacific Surplus Disposal had taken place on 30 June 2024.

The estimated loss on disposal assuming the Pacific Surplus Disposal had taken place on 30 June 2024 is calculated as follows:

- (a) The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.
- (b) The adjustments represent the derecognition of assets and liabilities of the Pacific Surplus Group as at 30 June 2024, assuming the Pacific Surplus Disposal had taken place on 30 June 2024. The assets and liabilities of the Pacific Surplus Group are extracted from the unaudited condensed consolidated statement of financial position of the Company.
- (c) The adjustments represent the estimated loss on disposal assuming the Pacific Surplus Disposal had taken place on 30 June 2024 and is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Consideration	(i)	66,526
Less: net assets of the Pacific Surplus Group derecognised	(ii)	(84,739)
Less: disposal of the Sale Loan	(iii)	(10,080)
Less: cumulative foreign exchange translation difference of the Pacific Surplus Group recycled to profit or loss	(iv)	513
Estimated loss on disposal before transaction costs		(27,780)
Less: estimated transaction costs	(v)	(3,113)
Estimated loss on disposal		(30,893)
Analysis of net cash flows from the Pacific Surplus Disposal:		
Consideration		66,526
Less: estimated transaction costs attributed to the Pacific Surplus Disposal		(3,113)
Less: cash and cash equivalents held by the Pacific Surplus Group		(587)
		62,826

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

- (i) The amount represented the total consideration, being an amount of HK\$71 million (equivalent to approximately RMB67 million), which is payable by the Purchaser to the Company on the completion of the Pacific Surplus Disposal:

	<i>RMB'000</i>
Consideration	56,446
Sale Loan	10,080
	<u>66,526</u>

- (ii) The amount represents the net assets of the Pacific Surplus Group as at 30 June 2024 as follows:

	<i>RMB'000</i>
Assets of the Pacific Surplus Group as at 30 June 2024	144,510
Liabilities of the Pacific Surplus Group as at 30 June 2024	<u>(59,771)</u>
Net assets of the Pacific Surplus Group derecognised	<u>84,739</u>

- (iii) The amount represents the Sale Loan disposed in accordance with the disposal agreement as if the Pacific Surplus Disposal had been completed on 30 June 2024.
- (iv) The amount represents the cumulative currency translation differences related to foreign operations of the Pacific Surplus Group to be released to profit or loss as if the Pacific Surplus Disposal had been completed on 30 June 2024.
- (v) The transaction costs represent professional fee directly attributable to the disposal of the Pacific Surplus Group which are estimated to be approximately RMB3,113,000 and it is assumed that the fees would be settled by cash.
- (vi) Payment of RMB58,297,000 in relation to the Pacific Surplus Special Dividend as contracted under the Pacific Surplus Disposal (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Pacific Surplus Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payment of the Pacific Surplus Special Dividend be considered in the transaction, the net cash inflows from the Pacific Surplus Disposal would be RMB4,529,000.
3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Pacific Surplus Disposal had taken place on 1 January 2023.

The estimated loss on disposal assuming the Pacific Surplus Disposal had taken place on 1 January 2023 is calculated as follows:

- (a) The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (b) The adjustments represent the exclusion of the results and cash flows of the Pacific Surplus Group for the year ended 31 December 2023, assuming the Pacific Surplus Disposal had taken place on 1 January 2023. The statement of comprehensive income and cash flows of the Pacific Surplus Group are extracted from the audited consolidated financial statement of comprehensive income and cash flows of the Company.
- (c) The adjustments represent the estimated loss on disposal assuming the Pacific Surplus Disposal had taken place on 1 January 2023 and is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Consideration	(i)	63,111
Less: net assets of the Pacific Surplus Group derecognised	(ii)	(86,602)
Less: disposal of the Sale Loan	(iii)	(9,137)
Less: cumulative foreign exchange translation difference of the Pacific Surplus Group recycled to profit or loss	(iv)	<u>(93)</u>
Estimated loss on disposal before transaction costs		(32,721)
Less: estimated transaction costs	(vi)	<u>(2,954)</u>
Estimated loss on disposal		<u><u>(35,675)</u></u>
Analysis of net cash flows from the Pacific Surplus Disposal:		
Consideration		63,111
Less: estimated transaction costs attributed to the Pacific Surplus Disposal		(2,954)
Less: cash and cash equivalents held by the Pacific Surplus Group		<u>(20,711)</u>
		<u><u>39,446</u></u>

Notes:

- (i) The amount represented the total consideration, being an amount of HK\$71 million (equivalent to approximately RMB63 million), which is payable by the Purchaser to the Company on the completion of the Pacific Surplus Disposal.

	<i>RMB'000</i>
Consideration	53,974
Sales Loan	<u>9,137</u>
	<u><u>63,111</u></u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (ii) The amount represents the net assets of the Pacific Surplus Group as at 1 January 2023 as follows:

	<i>RMB'000</i>
Assets of the Pacific Surplus Group as at 1 January 2023	120,362
Liabilities of the Pacific Surplus Group as at 1 January 2023	(33,760)
	86,602

- (iii) The amount represents the Sale Loan disposed in accordance with the disposal agreement as if the Pacific Surplus Disposal had been completed on 1 January 2023.
- (iv) The amount represents the cumulative currency translation differences related to foreign operations of the Pacific Surplus Group to be released to profit or loss as if the Pacific Surplus Disposal had been completed on 1 January 2023.
- (v) The transaction costs represent professional fee directly attributable to the disposal of the Pacific Surplus Group which are estimated to be approximately RMB2,954,000 and it is assumed that the fees would be settled by cash.
- (vi) Payment of RMB55,305,000 in relation to the Pacific Surplus Special Dividend as contracted under the Pacific Surplus Disposal (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Pacific Surplus Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payment of the Pacific Surplus Special Dividend be considered in the transaction, the net cash outflows from the Pacific Surplus Disposal would be RMB15,859,000.
4. For the purpose of the Unaudited Pro Forma Financial Information of the Remaining Group, where applicable, HK\$ has been converted into RMB at the rate of HK\$1.00 to RMB0.93 for balances included in unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2024, and the rate of HK\$1.00 to RMB0.91 for amounts included in the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2023 respectively.
5. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP (EPIC WEALTH DISPOSAL)

As at 30 June 2024

	The Group	Pro forma adjustments				The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)					(unaudited)
	(note 1)	(note 2(a))	(note 2(b))	(note 2(c))		
NON-CURRENT ASSETS						
Property, plant and equipment	165,191	–	–	–		165,191
Right-of-use assets	20,950	–	–	–		20,950
Goodwill	4,087	–	–	–		4,087
Equity investment designated at fair value through other comprehensive income	1,000	–	–	–		1,000
Deferred tax assets	4,056	–	–	–		4,056
Total non-current assets	195,284	–	–	–		195,284
CURRENT ASSETS						
Inventories	90,071	–	–	–		90,071
Biological assets	2,133	–	–	–		2,133
Trade receivables	717	–	–	–		717
Prepayments, deposits and other receivables	14,065	–	–	–		14,065
Cash and cash equivalents	31,555	–	–	33,174		64,729
Total current assets	138,541	–	–	33,174		171,715
CURRENT LIABILITIES						
Trade payables	83	–	–	–		83
Other payables and accruals	20,170	–	–	–		20,170
Interest-bearing bank borrowings	1,305	–	–	–		1,305
Lease liabilities	41	–	–	–		41
Tax payables	643	–	–	–		643
Total current liabilities	22,242	–	–	–		22,242
NET CURRENT ASSETS	116,299	–	–	33,174		149,473

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments			The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>	
TOTAL ASSETS LESS					
CURRENT LIABILITIES	311,583	–	–	33,174	344,757
NON-CURRENT LIABILITIES					
Interest-bearing bank					
borrowings	42,187	–	–	–	42,187
Lease liabilities	2,144	–	–	–	2,144
Deferred tax liabilities	3,731	3,930	–	–	7,661
Total non-current liabilities	48,062	3,930	–	–	51,992
Net assets	263,521	(3,930)	–	33,174	292,765
EQUITY					
Issued capital	675	–	–	–	675
Reserves	262,846	(3,930)	(49,914)	33,174	242,176
Non-controlling interests	263,521	(3,930)	(49,914)	33,174	242,851
	–	–	49,914	–	49,914
Total equity	263,521	(3,930)	–	33,174	292,765

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP (EPIC WEALTH DISPOSAL)

For the year ended 31 December 2023

	The Group	Pro forma adjustments				The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>		
Cash flows from operating activities						
Net cash flows used in operating activities	(9,426)	—	—	—		(9,426)
Cash flows from investing activities						
Purchases of items of property, plant and equipment	(4,058)	—	—	—		(4,058)
Increase in construction in progress	(26,083)	—	—	—		(26,083)
Proceeds from disposal of items of property, plant and equipment	308	—	—	—		308
Purchase of equity investment designated at fair value through other comprehensive income	(1,000)	—	—	—		(1,000)
Net cash flows used in investing activities	(30,833)	—	—	—		(30,833)
Cash flows from financing activities						
New bank loans	36,667	—	—	—		36,667
Repayment of bank loans	(27,320)	—	—	—		(27,320)
Principal portion of lease payments	(356)	—	—	—		(356)
Disposal of non-controlling interests	—	—	—	31,470		31,470
	8,991	—	—	31,470		40,461

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Group
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>		
Net increase/(decrease) in cash and cash equivalents	(31,268)	–	–	31,470		202
Cash and cash equivalents at beginning of year	73,367	–	–	–		73,367
Effect of foreign exchange rate changes, net	(229)	–	–	–		(229)
Cash and cash equivalents at end of year	<u>41,870</u>	<u>–</u>	<u>–</u>	<u>31,470</u>		<u>73,340</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF THE REMAINING GROUP (EPIC WEALTH DISPOSAL)

For the year ended 31 December 2023

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>
	(unaudited)					(unaudited)
	(note 1)	(note 3(a))	(note 3(b))	(note 3(c))		
Revenue	64,985	–	–	–		64,985
Cost of sales	(17,340)	–	–	–		(17,340)
Gross profit	47,645	–	–	–		47,645
Other income and gains, net	1,907	–	–	–		1,907
Selling and distribution expenses	(12,433)	–	–	–		(12,433)
Administrative expenses	(24,393)	–	–	–		(24,393)
Other expenses, net	(80)	–	–	–		(80)
Finance costs	(1,185)	–	–	–		(1,185)
Profit before tax	11,461	–	–	–		11,461
Income tax expense	(1,241)	(3,930)	–	–		(5,171)
Profit/(loss) for the year	<u>10,220</u>	<u>(3,930)</u>	<u>–</u>	<u>–</u>		<u>6,290</u>
Attributable to:						
Shareholders of the Company	10,220	(3,930)	(3,653)	–		2,637
Non-controlling interests	–	–	3,653	–		3,653
	<u>10,220</u>	<u>(3,930)</u>	<u>–</u>	<u>–</u>		<u>6,290</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP (EPIC WEALTH DISPOSAL)

For the year ended 31 December 2023

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>		
Profit for the year	<u>10,220</u>	<u>(3,930)</u>	<u>–</u>	<u>–</u>		<u>6,290</u>
Other comprehensive income/(loss)						
Other comprehensive loss that may be reclassified to profit or loss in subsequent period:						
Exchange differences on translation of foreign operation	<u>(2,891)</u>	<u>–</u>	<u>–</u>	<u>–</u>		<u>(2,891)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the Company's financial statements	<u>2,977</u>	<u>–</u>	<u>–</u>	<u>–</u>		<u>2,977</u>
Other comprehensive income for the year	<u>86</u>	<u>–</u>	<u>–</u>	<u>–</u>		<u>86</u>
Total comprehensive income for the year	<u>10,306</u>	<u>(3,930)</u>	<u>–</u>	<u>–</u>		<u>6,376</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The Group	Pro forma adjustments				The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>		
Attributable to:						
Shareholders of the Company	10,306	(3,930)	(2,854)	–		3,522
Non-controlling interests	–	–	2,854	–		2,854
	<u>10,306</u>	<u>(3,930)</u>	<u>–</u>	<u>–</u>		<u>6,376</u>

Notes:

- For the preparation of the unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 as set out in the published interim report of the Group for the six months ended 30 June 2024, whereas for the preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows, the amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023, respectively, as set out in the published annual report of the Group for the year ended 31 December 2023.
- The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Epic Wealth Disposal had taken place on 30 June 2024.
 - The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.
 - The adjustments represent the derecognition of non-controlling interests, assuming the Epic Wealth Disposal had taken place on 30 June 2024. The assets and liabilities of the Epic Wealth Group are extracted from the audited consolidated statement of financial position of the Company.
 - The adjustments represent the derecognition of non-controlling interests of Epic Wealth Group on disposal assuming the Epic Wealth Disposal had taken place on 30 June 2024 and is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Consideration	(i)	36,287
Less: estimated transaction costs	(ii)	(3,113)
Non-controlling interests derecognised by the Group		<u>(49,914)</u>
Amount to be charged to equity of the Group		<u><u>(16,740)</u></u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Analysis of net cash flows from the Epic Wealth Disposal:

	<i>Notes</i>	<i>RMB'000</i>
Consideration	(i)	36,287
Less: estimated transaction costs attributed to the Epic Wealth Disposal	(ii)	<u>(3,113)</u>
		<u>33,174</u>

Notes:

- (i) The amount represents the total consideration, being an amount of HK\$38 million (equivalent to approximately RMB36 million), which is payable by the Purchaser to the Company on the completion of the Epic Wealth Disposal.

RMB'000

Consideration	<u>36,287</u>
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- (ii) The transaction costs represent professional fee directly attributable to the disposal of the Epic Wealth Group which are estimated to be approximately RMB3,113,000 and it is assumed that the fees would be settled by cash.
- (iii) Payment of RMB31,801,000 in relation to the Epic Wealth Special Dividend as contracted under the Epic Wealth Disposal (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Epic Wealth Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payment of the Epic Wealth Special Dividend be considered in the transaction, the net cash inflows from the Epic Wealth Disposal would be RMB1,373,000.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Epic Wealth Disposal had taken place on 1 January 2023:

- (a) The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.
- (b) The adjustments represent profit or loss and other comprehensive income attributable to the non-controlling interests, assuming the Epic Wealth Disposal had taken place on 1 January 2023. The statement of comprehensive income and cash flows of the Epic Wealth Group are extracted from the audited consolidated statement of comprehensive income and cash flows of the Company.
- (c) Analysis of net cash flows from the Epic Wealth Disposal:

	<i>Notes</i>	<i>RMB'000</i>
Consideration	(i)	34,424
Less: estimated transaction costs attributed to the Epic Wealth Disposal	(ii)	<u>(2,954)</u>
		<u>31,470</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

- (i) The amount represents the total consideration, being an amount of HK\$38 million (equivalent to approximately RMB34 million), which is payable by the Purchaser to the Company on the completion of the Epic Wealth Disposal.

RMB'000

Consideration	34,424
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- (ii) The transaction costs represent professional fee directly attributable to the disposal of the Epic Wealth Group which are estimated to be approximately RMB2,954,000 and it is assumed that the fees would be settled by cash.
- (iii) Payment of RMB30,169,000 in relation to the Epic Wealth Special Dividend as contracted under the Epic Wealth Disposal (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Epic Wealth Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payment of the Epic Wealth Special Dividend be considered in the transaction, the net cash inflows from the Epic Wealth Disposal would be RMB1,301,000.
4. For the purpose of the Unaudited Pro Forma Financial Information of the Remaining Group, where applicable, HK\$ has been converted into RMB at the rate of HK\$1.00 to RMB0.93 for balances included in unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2024, and the rate of HK\$1.00 to RMB0.91 for amounts included in the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2023 respectively.
5. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP (THE DISPOSALS)

As at 30 June 2024

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>		
NON-CURRENT ASSETS						
Property, plant and equipment	165,191	–	(117,950)	–		47,241
Right-of-use assets	20,950	–	(7,033)	–		13,917
Goodwill	4,087	–	(2,726)	–		1,361
Equity investment designated at fair value through other comprehensive income	1,000	–	–	–		1,000
Deferred tax assets	4,056	–	–	–		4,056
Total non-current assets	195,284	–	(127,709)	–		67,575
CURRENT ASSETS						
Inventories	90,071	–	(5,292)	–		84,779
Biological assets	2,133	–	–	–		2,133
Trade receivables	717	–	(2)	–		715
Prepayments, deposits and other receivables	14,065	–	(10,920)	–		3,145
Cash and cash equivalents	31,555	–	(587)	98,842		129,810
Total current assets	138,541	–	(16,801)	98,842		220,582
CURRENT LIABILITIES						
Trade payables	83	–	–	–		83
Other payables and accruals	20,170	–	(16,251)	–		3,919
Interest-bearing bank borrowings	1,305	–	(1,305)	–		–
Lease liabilities	41	–	–	–		41
Tax payables	643	–	–	–		643
Total current liabilities	22,242	–	(17,556)	–		4,686

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments			The Remaining Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	<i>(note 1)</i>	<i>(note 2(a))</i>	<i>(note 2(b))</i>	<i>(note 2(c))</i>	
NET CURRENT ASSETS	116,299	–	755	98,842	215,896
TOTAL ASSETS LESS CURRENT LIABILITIES	311,583	–	(126,954)	98,842	283,471
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	42,187	–	(42,187)	–	–
Lease liabilities	2,144	–	–	–	2,144
Deferred tax liabilities	3,731	3,930	(28)	–	7,633
Total non-current liabilities	48,062	3,930	(42,215)	–	9,777
Net assets	263,521	(3,930)	(84,739)	98,842	273,694
EQUITY					
Issued capital	675	–	–	–	675
Reserves	262,846	(3,930)	(134,153)	98,842	223,605
	263,521	(3,930)	(134,153)	98,842	224,280
Non-controlling interests	–	–	49,414	–	49,414
Total equity	263,521	(3,930)	(84,739)	98,842	273,694

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
REMAINING GROUP (THE DISPOSALS)**

For the year ended 31 December 2023

	The		Pro forma adjustments		The
	Group				Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>	
Cash flows from operating activities					
Net cash flows used in operating activities	(9,426)	—	480	—	(8,946)
Cash flows from investing activities					
Purchases of items of property, plant and equipment	(4,058)	—	2,218	—	(1,840)
(Increase)/decrease in construction in progress	(26,083)	—	27,686	—	1,603
Proceeds from disposal of items of property, plant and equipment	308	—	—	—	308
Disposal of subsidiaries	—	—	—	73,614	73,614
Purchase of equity investment designated at fair value through other comprehensive income	(1,000)	—	—	—	(1,000)
Net cash flows used in investing activities	(30,833)	—	29,904	73,614	72,685

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Group
	(unaudited)					(unaudited)
	<i>(note 1)</i>	<i>(note 3(a))</i>	<i>(note 3(b))</i>	<i>(note 3(c))</i>		
Cash flows from financing activities						
New bank loans	36,667	–	(32,667)	–	4,000	
Repayment of bank loans	(27,320)	–	17,320	–	(10,000)	
Principal portion of lease payments	(356)	–	–	–	(356)	
	<u>8,991</u>	<u>–</u>	<u>(15,347)</u>	<u>–</u>	<u>(6,356)</u>	
Net increase/(decrease) in cash and cash equivalents	(31,268)	–	15,037	73,614	(34,540)	
Cash and cash equivalents at beginning of year	73,367	–	–	–	73,367	
Effect of foreign exchange rate changes, net	(229)	–	240	–	11	
Cash and cash equivalents at end of year	<u><u>41,870</u></u>	<u><u>–</u></u>	<u><u>15,277</u></u>	<u><u>73,614</u></u>	<u><u>38,838</u></u>	

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT AND LOSS OF THE REMAINING GROUP (THE DISPOSALS)

For the year ended 31 December 2023

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>
	(unaudited)					(unaudited)
	(note 1)	(note 3(a))	(note 3(b))	(note 3(c))		
Revenue	64,985	–	(10,017)	–		54,968
Cost of sales	(17,340)	–	4,756	–		(12,584)
Gross profit	47,645	–	(5,261)	–		42,384
Other income and gains, net	1,907	–	(592)	–		1,315
Selling and distribution expenses	(12,433)	–	194	–		(12,239)
Administrative expenses	(24,393)	–	4,898	–		(19,495)
Other expenses, net	(80)	–	–	–		(80)
Loss on disposal of subsidiaries	–	–	–	(34,798)		(34,798)
Finance costs	(1,185)	–	803	–		(382)
Profit/(loss) before tax	11,461	–	42	(34,798)		(23,295)
Income tax expense	(1,241)	(3,930)	–	–		(5,171)
Profit/(loss) for the year	<u>10,220</u>	<u>(3,930)</u>	<u>42</u>	<u>(34,798)</u>		<u>(28,466)</u>
Attributable to:						
Shareholders of the Company	10,220	(3,930)	(2,499)	(34,798)		(30,923)
Non-controlling interests	–	–	2,457	–		2,457
	<u>10,220</u>	<u>(3,930)</u>	<u>42</u>	<u>(34,798)</u>		<u>(28,466)</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP (THE DISPOSALS)

For the year ended 31 December 2023

	The	Pro forma adjustments			The
	Group				Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)
	(note 1)	(note 2(a))	(note 2(b))	(note 2(c))	
Profit/(loss) for the year	<u>10,220</u>	<u>(3,930)</u>	<u>42</u>	<u>(34,798)</u>	<u>(28,466)</u>
Other comprehensive income/(loss)					
Other comprehensive loss that may be reclassified to profit or loss in subsequent period:					
Exchange differences on translation of foreign operation	(2,891)	–	1,269	–	(1,622)
Disposal of subsidiaries	<u>–</u>	<u>–</u>	<u>–</u>	<u>93</u>	<u>93</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the Company's financial statements	<u>2,977</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,977</u>
Other comprehensive income for the year	<u>86</u>	<u>–</u>	<u>1,269</u>	<u>93</u>	<u>1,448</u>
Total comprehensive income for the year	<u>10,306</u>	<u>(3,930)</u>	<u>1,311</u>	<u>(34,705)</u>	<u>(27,018)</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

	The	Pro forma adjustments				The
	Group					Remaining
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Group
	(unaudited)					(unaudited)
	(note 1)	(note 2(a))	(note 2(b))	(note 2(c))		
Attributable to:						
Shareholders of the Company	10,306	(3,930)	(4,567)	(34,700)		(30,269)
Non-controlling interests	—	—	3,256	—		3,256
	<u>10,306</u>	<u>(3,930)</u>	<u>1,311</u>	<u>(34,700)</u>		<u>(27,013)</u>

Notes:

- For the preparation of the unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 as set out in the published interim report of the Group for the six months ended 30 June 2024, whereas for the preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows, the amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023, respectively, as set out in the published annual report of the Group for the year ended 31 December 2023.
- The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposals had taken place on 30 June 2024.

The estimated loss on disposal assuming the Disposals had taken place on 30 June 2024 is calculated as follows:

- The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.
- The adjustments represent the derecognition of assets and liabilities of the Pacific Surplus Group as at 30 June 2024 and the derecognition of non-controlling interests of the Epic Wealth Group, assuming the Disposals had taken place on 30 June 2024. The assets and liabilities of the Disposal Groups are extracted from the unaudited condensed consolidated statement of financial position of the Company.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (c) The adjustments represent the estimated loss on disposal assuming the Disposals had taken place on 30 June 2024 and is calculated as follows:

	<i>Notes</i>	Pacific Surplus Disposal <i>RMB'000</i>	Epic Wealth Disposal <i>RMB'000</i>	Total <i>RMB'000</i>
Consideration	(i)	66,526	36,287	102,813
Less: net assets of Pacific Surplus Group derecognised	(ii)	(84,739)	–	(84,739)
Less: disposal of the Sale Loan	(iii)	(10,080)	–	(10,080)
Less: cumulative foreign exchange translation difference of Pacific Surplus Group recycled to profit or loss	(iv)	513	–	513
Less: non-controlling interests derecognised		–	(49,414)	(49,414)
Less: estimated transaction costs	(v)	(2,190)	(1,194)	(3,384)
		<u>(29,970)</u>	<u>(14,321)</u>	<u>(44,291)</u>
Recognised as:				
Loss on disposal to be charged to profit or loss		(29,970)	–	(29,970)
Amount to be charged to equity of the Group		<u>–</u>	<u>(14,321)</u>	<u>(14,321)</u>
		<u>(29,970)</u>	<u>(14,321)</u>	<u>(44,291)</u>

Analysis of net cash flows from the Disposals:

	<i>RMB'000</i>
Consideration	102,813
Less: estimated transaction costs attributed to the Disposals	(3,384)
Less: cash and cash equivalents held by Pacific Surplus Group	<u>(587)</u>
	<u>98,842</u>

Notes:

- (i) The amount represented the total consideration, being an amount of HK\$110 million (equivalent to approximately RMB102 million), which is payable by the Purchaser to the Company on the completion of the Disposals.

	<i>RMB'000</i>
Consideration	92,733
Sales Loan	<u>10,080</u>
	<u>102,813</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (ii) The amount represents the net assets of the Pacific Surplus Group as at 30 June 2024 as follows:

	<i>RMB'000</i>
Assets of the Pacific Surplus Group as at 30 June 2024	144,510
Liabilities of the Pacific Surplus Group as at 30 June 2024	(59,771)
Net assets of the Pacific Surplus Group derecognised	84,739

- (iii) The amount represents the Sale Loan disposed in accordance with the disposal agreement as if the Disposals had been completed on 30 June 2024.
- (iv) The amount represents the cumulative currency translation differences related to foreign operations of the Pacific Surplus Group to be released to profit or loss as if the Disposals had been completed on 30 June 2024.
- (v) The transaction costs represent professional fee directly attributable to the disposal of the Disposal Groups which are estimated to be approximately RMB3,384,000 and it is assumed that the fees would be settled by cash.
- (vi) Payments of RMB90,097,000 in relation to the Pacific Surplus Special Dividend and Epic Wealth Special Dividend as contracted under the Disposals (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payments of the Pacific Surplus Special Dividend and Epic Wealth Special Dividend be considered in the transaction, the net cash inflows from the Disposals would be RMB8,745,000.
3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposals had taken place on 1 January 2023.

The estimated loss on disposal assuming the Disposals had taken place on 1 January 2023 is calculated as follows:

- (a) The adjustment represents the estimated withholding tax payable to the PRC tax authority in respect of the Pacific Surplus Reorganisation, assuming the reorganisation had been taken placed.
- (b) The adjustments represent the exclusion of the results and cash flows of the Disposal Groups and recognition of profit or loss attributable to the non-controlling interests for the year ended 31 December 2023, assuming the Disposals had taken place on 1 January 2023. The statement of comprehensive income and cash flows of the Disposal Groups are extracted from the audited consolidated statement of comprehensive income and cash flows of the Company.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (c) The adjustments represent the estimated loss on disposal assuming the Disposals had taken place on 1 January 2023 and is calculated as follows:

	<i>Notes</i>	Pacific Surplus Disposal <i>RMB'000</i>	Epic Wealth Disposal <i>RMB'000</i>	Total <i>RMB'000</i>
Consideration	(i)	63,111	34,424	97,535
Less: net assets of the Disposal Group derecognised	(ii)	(86,602)	–	(86,602)
Less: disposal of the Sale Loan	(iii)	(9,137)	–	(9,137)
Less: cumulative foreign exchange translation difference of the Disposal Group recycled to profit or loss	(iv)	(93)	–	(93)
Less: non-controlling interests recognised		–	(48,383)	(48,383)
Less: estimated transaction costs	(v)	(2,077)	(1,133)	(3,210)
		<u>(34,798)</u>	<u>(15,092)</u>	<u>(49,890)</u>
Recognised as:				
Loss on disposal to be charged to profit or loss		(34,798)	–	(34,798)
Amount to be charged to equity of the Group		<u>–</u>	<u>(15,092)</u>	<u>(15,092)</u>
		<u>(34,798)</u>	<u>(15,092)</u>	<u>(49,890)</u>

Analysis of net cash flows from the Disposals:

	<i>RMB'000</i>
Consideration	97,535
Less: Estimated transaction costs attributed to the Disposals	(3,210)
Less: cash and cash equivalents held by Pacific Surplus Group	<u>(20,711)</u>
	<u>73,614</u>

Notes:

- (i) The amount represented the total consideration, being an amount of HK\$110 million (equivalent to approximately RMB98 million), which is payable by the Purchaser to the Company on the completion of the Disposals.

	<i>RMB'000</i>
Consideration	88,398
Sales Loan	<u>9,137</u>
	<u>97,535</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (ii) The amount represents the net assets of the Pacific Surplus Group as at 1 January 2023 as follows:

	<i>RMB'000</i>
Assets of the Pacific Surplus Group as at 1 January 2023	120,362
Liabilities of the Pacific Surplus Group as at 1 January 2023	(33,760)
	86,602
Net assets derecognised	86,602

- (iii) The amount represents the Sale Loan disposed in accordance with the disposal agreement as if the Disposals had been completed on 1 January 2023.
- (iv) The amount represents the cumulative currency translation differences related to foreign operations of the Pacific Surplus Group to be released to profit or loss as if the Disposals had been completed on 1 January 2023.
- (v) The transaction costs represent professional fee directly attributable to the disposal of the Disposal Groups which are estimated to be approximately RMB3,210,000 and it is assumed that the fees would be settled by cash.
- (vi) Payments of RMB85,473,000 in relation to the Pacific Surplus Special Dividend and Epic Wealth Special Dividend as contracted under the Disposals (please refer to section headed “DEFINITION” for details), are excluded from the analysis of net cash flows from the Disposal, as the payment does not have a continuing effect on the Company and thus, it is excluded from the pro forma adjustments. Should the payments of the Pacific Surplus Special Dividend and Epic Wealth Special Dividend be considered in the transaction, the net cash inflows from the Disposals would be RMB11,859,000.
4. For the purpose of the Unaudited Pro Forma Financial Information of the Remaining Group, where applicable, HK\$ has been converted into RMB at the rate of HK\$1.00 to RMB0.93 for balances included in unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2024, and the rate of HK\$1.00 to RMB0.91 for amounts included in the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2023 respectively.
5. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Disposal Groups.



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Grace Wine Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grace Wine Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2024, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and the related notes as set out on pages III-2 to III-31 of the circular dated 24 January 2025 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”) in connection with the proposed mandate in relation to the proposed very substantial disposals (the “**Proposed Disposals**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Disposals on the Group's financial position as at 30 June 2024 as if the Proposed Disposals had taken place at 30 June 2024, and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Proposed Disposals had taken place on 1 January 2023. As part of this process, information about the Group's financial position as at 30 June 2024 has been extracted by the Directors from the Group's 2024 interim report, which included the financial statements for the six months ended 30 June 2024, on which no audit or review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2023 has been extracted by the

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Directors from the Group's 2023 annual report, which included the financial statements for the year ended 31 December 2023.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by Rule 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Disposals on unadjusted financial information of the Group as if the Proposed Disposals had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposals would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Disposals, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Potential Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

24 January 2025

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. The financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards.

Upon Epic Wealth Completion, the Company will hold 70% equity interest in Epic Wealth and each member of the Epic Wealth Group will continue to be a subsidiary of the Company, and the financial results of the Epic Wealth Group will remain being consolidated into the consolidated financial statements of the Company while non-controlling interests from the 30% equity interest in Epic Wealth held by Ms. Chan will be incurred.

Upon Pacific Surplus Completion, the Company will no longer hold any interest in Pacific Surplus Group and each member of the Pacific Surplus Group will cease to be a subsidiary of the Company, and the financial results of the Pacific Surplus Group will no longer be consolidated into the consolidated financial statements of the Company.

In addition, upon Pacific Surplus Completion and Epic Wealth Completion, the Remaining Group will continue to carry out the Winery Business.

Set out below is the management discussion and analysis of the business, financial results and position of the Remaining Group for each of the financial years ended 31 December 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023” respectively) and the nine months ended 30 September 2024 (“9M2024”) prepared on the basis that Pacific Surplus Group is not consolidated, and the Company has no ownership interest in the Pacific Surplus Group.

2. BUSINESS REVIEW

Upon Pacific Surplus Completion and Epic Wealth Completion, the Remaining Group will continue to carry out the Winery Business.

In the first half of 2024, China’s economic slowdown had a significant impact on the wine market, underscoring the challenges faced by the industry. The decline in domestic demand, compounded by low consumer confidence and reduced discretionary spending, has directly affected wine consumption. As a luxury or non-essential item, wine is particularly vulnerable during economic downturns, leading to lower spending allocations toward purchasing wine.

The below-expected China retail sales growth in 2024 reflects the broader struggles within the wine industry, with most companies reporting poor performance. This decline suggests that consumers are cutting back on discretionary spending, which negatively impacts wine sales. Additionally, the substantial decline in property investment signals broader economic difficulties, potentially affecting consumers’ financial stability. This instability further translates into reduced spending on non-essential items, such as wine.

The high-end strategy pursued by domestic wine brands faces significant hurdles due to reduced consumer spending on luxury items. As economic conditions tighten, consumers may opt for cheaper alternatives, adversely affecting the market for high-end domestic wines. The shift toward premium products requires considerable brand investment and increases operational costs. In a slowing economy, these costs may become unsustainable without corresponding revenue growth, which is challenged by low consumer spending and strong competition from imports.

To navigate these challenges, domestic wine brands may need to diversify their product offerings to include more affordable options, thereby capturing a broader consumer base in a sluggish economy. Marketing strategies that emphasize the unique qualities and cultural heritage of domestic wines could help differentiate them from imports. Shifting away from an exclusive focus on high-end positioning towards more accessible luxury options might resonate better with cost-conscious consumers.

Looking ahead, the economic slowdown continues to present challenges for the Chinese wine industry, particularly for domestic brands pushing for high-end products. Low consumer confidence, reduced discretionary spending, and strong competition from imported wines exacerbate the difficulties faced by the industry. The Remaining Group will closely monitor market sentiment, diversify product offerings, and improve cost efficiency.

3. FINANCIAL REVIEW

Upon Pacific Surplus Completion and Epic Wealth Completion, the Remaining Group will continue to carry out the Winery Business.

3.1. Revenue

The revenue of the Remaining Group decreased by RMB22.6 million or 26.7% from RMB84.7 million for FY2021 to RMB62.1 million for FY2022 as a result of the decrease in total sales volume. The Remaining Group sold 827,000 bottles in FY2022 as compared to 1,092,000 bottles in FY2021, the average selling price decreased from RMB77.5 per bottle in FY2021 to RMB75.1 per bottle in FY2022.

The revenue of the Remaining Group decreased by RMB7.1 million or 11.4% from RMB62.1 million for FY2022 to RMB55.0 million for FY2023 as a result of the decrease in sales of high-end wines. The Remaining Group sold 624,000 bottles in FY2023 as compared to 827,000 bottles in FY2022, the average selling price increased from RMB75.1 per bottle in FY2022 to RMB88.1 per bottle in FY2023.

The revenue of the Remaining Group decreased by RMB25.1 million or 55.1% from RMB45.5 million for the nine months ended 30 September 2023 (“9M2023”) to RMB20.4 million for 9M2024 as a result of the decrease in total sales volume. The Remaining Group sold 489,000 bottles in 9M2023 as compared to 306,000 bottles in 9M2024, the average selling price decreased from RMB93.0 per bottle in 9M2023 to RMB66.8 per bottle in 9M2024.

3.2. Gross profit and gross profit margin

The overall gross profit of the Remaining Group decreased by RMB9.4 million or 20.5% from RMB45.8 million for FY2021 to RMB36.4 million for FY2022, primarily due to the decrease in total sales. The overall gross profit margin of the Remaining Group increased from 54.0% for FY2021 to 58.7% for FY2022.

The overall gross profit of the Remaining Group increased by RMB6.1 million or 16.8% from RMB36.4 million for FY2022 to RMB42.5 million for FY2023, primarily due to the increase in total sales of high-end products. The overall gross profit margin of the Remaining Group increased from 58.7% for FY2022 to 77.1% for FY2023.

The overall gross profit of the Remaining Group decreased by RMB20.0 million or 54.2% from RMB36.9 million for 9M2023 to RMB16.9 million for 9M2024, primarily due to the decrease in total sales of both entry-level wines and high-end wines. The overall gross profit margin of the Remaining Group increased from 81.1% for 9M2023 to 82.7% for 9M2024, which was mainly attributed to the lower level of per unit costs allocated to each unit of wine sold in 9M2024, reflecting the higher historical production scale of the wine sold in 9M2024.

3.3. Other income

Other income of the Remaining Group mainly comprised income from government grants, bank interest income and gain on bargain purchase of subsidiaries.

Other income of the Remaining Group of RMB1.9 million, RMB1.5 million and RMB1.3 million for FY2021, FY2022 and FY2023 respectively.

Other income of the Remaining Group increased by RMB1.7 million or 212.5% from RMB0.8 million for 9M2023 to RMB2.5 million for 9M2024.

3.4. Selling and distribution expenses

Selling and distribution expenses of the Remaining Group mainly comprised expenses for marketing and promotion events.

Selling and distribution expenses of the Remaining Group slightly increased by RMB0.8 million or 6.4% from RMB12.5 million for FY2021 to RMB13.3 million for FY2022. It decreased by RMB1.1 million or 8.3% to RMB12.2 million for FY2023.

Selling and distribution expenses of the Remaining Group decreased by RMB1.3 million or 12.5% from RMB10.4 million for 9M2023 to RMB9.1 million for 9M2024. It was mainly attributable to the drop in sales which incurred lower logistic and services fees.

3.5. Administrative expenses

Administrative expenses of the Remaining Group mainly comprised general administrative expenses.

Administrative expenses of the Remaining Group slightly increased by RMB1.1 million or 5.3% from RMB20.8 million for FY2021 to RMB21.9 million for FY2022. It decreased by RMB2.4 million or 11.0% to RMB19.5 million for FY2023. It was mainly attributable to the decrease in costs such as staff costs and professional and consultancy fees as a result of the Group's cost-saving measures.

Administrative expenses of the Remaining Group decreased by RMB1.5 million or 11.0% from RMB13.7 million for 9M2023 to RMB12.2 million for 9M2024. It was mainly attributable to the decrease in costs such as staff costs and professional and consultancy fees as a result of the Group's cost-saving measures.

3.6. Finance costs

The finance costs of the Remaining Group was RMB87,000 for FY2021, which represented unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases.

The finance costs of the Remaining Group was RMB0.2 million for FY2022, which represented the interest on bank loans of RMB0.2 million and unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases of RMB46,000.

The finance costs of the Remaining Group was RMB0.4 million for FY2023, which represented the interest on bank loans of RMB0.4 million and unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases of RMB34,000.

The finance costs of the Remaining Group was RMB36,000 for 9M2024, which represented the interest on bank loans of RMB24,000 and unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases of RMB12,000.

3.7. Income tax expense

The income tax expense of the Remaining Group decreased by RMB1.7 million or 23.6% from RMB7.1 million for FY2021 to RMB5.4 million for FY2022 due to the decrease in profit before tax in the PRC subsidiaries of the Remaining Group.

The income tax expense of the Remaining Group decreased by RMB0.2 million or 3.7% from RMB5.4 million for FY2022 to RMB5.2 million for FY2023 mainly due to a decrease in the inter-group revenue generated from a PRC subsidiary of the Remaining Group by RMB8.6 million and led to the decrease in the PRC taxable profits.

The income tax expense of the Remaining Group decreased by RMB0.9 million or 15.0% from RMB6.0 million for 9M2023 to RMB5.1 million for 9M2024 mainly due to the decrease in profit before tax in the PRC subsidiaries of the Remaining Group.

3.8. Profit/Loss for the year

As a result of the foregoing, a profit for the year of RMB11.1 million for FY2021, a loss for the year RMB23.5 million, RMB28.5 million and a loss for the period of RMB40.7 million was recognised for FY2022, FY2023 and 9M2024 respectively.

4. LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The principal liquidity and capital requirements of the Remaining Group primarily relate to acquisition of raw materials for wine production as well as other costs and expenses related to its business operation.

As at 31 December 2021, the carrying amount of the Remaining Group's cash and cash equivalents was RMB55.8 million, including RMB48.3 million, USD2.1 million, HK\$0.8 million and some insignificant amounts of EUR.

As at 31 December 2022, the carrying amount of the Remaining Group's cash and cash equivalents was RMB52.7 million, including RMB51.9 million, HK\$0.5 million, and some insignificant amounts of USD and EUR.

As at 31 December 2023, the carrying amount of the Remaining Group's cash and cash equivalents was RMB36.4 million, including RMB35.7 million, HK\$0.5 million, and some insignificant amounts of USD and EUR.

As at 30 September 2024, the carrying amount of the Remaining Group's cash and cash equivalents was RMB26.4 million, including RMB26.2 million, HK\$0.2 million, and some insignificant amounts of USD.

The Remaining Group's gearing ratio is measured by total external borrowings divided by total equity. As at 31 December 2021, 2022 and 2023 and 30 September 2024, the gearing ratio of the Remaining Group was nil, 3.8%, 1.0% and nil respectively.

5. TREASURY POLICIES

The Remaining Group adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Remaining Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

6. FOREIGN EXCHANGE RISK

The business of the Remaining Group is primarily conducted in China where most of the transactions are denominated in RMB. Therefore, the individual companies within the Remaining Group have minimal exposures of foreign exchange risk to its functional currency. Given that the presentation currency of the Remaining Group's consolidated financial positions is also in RMB, the exchange gain or loss arising from currency translation is also insignificant.

For the Remaining Group's subsidiaries outside China, transactions, including the Remaining Group's financing activities, may be denominated in Hong Kong Dollars or United States Dollars, and therefore are exposed to foreign exchange risks. The Remaining Group does not have a foreign currency hedging policy and does not use any financial instruments for hedging purposes. The Board monitors the Remaining Group's foreign currency risk exposure closely and may take appropriate measures to minimise the foreign currency risk exposure accordingly.

7. SIGNIFICANT INVESTMENTS HELD

The Remaining Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures in FY2021, FY2022, FY2023 and 9M2024.

8. CONTINGENT LIABILITIES

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Remaining Group had no contingent liabilities.

9. PLEDGE OF ASSETS

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Remaining Group did not have any assets pledged for credit facilities.

10. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Remaining Group had, including Directors, 141 employees. Staff costs, including Directors' emoluments, amounted to RMB15.3 million for FY2021.

As at 31 December 2022, the Remaining Group had, including Directors, 167 employees. Staff costs, including Directors' emoluments, amounted to RMB15.1 million for FY2022.

As at 31 December 2023, the Remaining Group had, including Directors, 157 employees. Staff costs, including Directors' emoluments, amounted to RMB14.9 million for FY2023.

As at 30 September 2024, the Remaining Group had, including Directors, 148 employees. Staff costs, including Directors' emoluments, amounted to RMB12.0 million for 9M2024.

The remuneration policies for the Directors and employees are based on their experience, level of responsibility and general market conditions, and are reviewed and adjusted on an annual basis. A share option scheme was adopted on 1 June 2019 for the purpose of providing incentives and rewards to eligible members of the scheme.

**APAC Asset Valuation and Consulting Limited**

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24 January 2025

The Directors
Grace Wine Holdings Limited
Unit 2304, 23/F
Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

Dear Sir/Madam,

RE: VALUATIONS OF (1) THE 30% EQUITY INTERESTS IN EPIC WEALTH HOLDINGS LIMITED AND (2) THE 100% EQUITY INTERESTS IN PACIFIC SURPLUS LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Grace Wine Holdings Limited (“**Grace Wine**”) to determine the fair value (“**Fair Value**”, to be defined below) of 30% equity of Epic Wealth Holdings Limited (“**Epic Wealth**”) and 100% equity of Pacific Surplus Limited (“**Pacific Surplus**”, and collectively, the “**Target Companies**”) as at 30 September 2024 (“**Valuation Date**”).

Epic Wealth is the holding company which its indirect owned PRC subsidiaries are principally engaged in the business of winery operations in the PRC. Meanwhile, Pacific Surplus is an investment holding company incorporated in the British Virgin Islands, and it holds 100% equity of Maxco Asia Limited, which in turn holds 100% equity of 福建德熙酒業有限公司 (“**Fujian Dexi**”). Both Pacific Surplus and Maxco Asia Limited have no business activities other than the holdings of equity of Fujian Dexi.

Fujian Dexi is a company that is principally engaged in the business of gin and whisky making in the PRC. Pacific Surplus holds properties, plant and equipment, and construction-in-progress (collectively, the “**Properties**”) and the corresponding parcel of land (“**Land**”), which would be utilized in the distillery business of Fujian Dexi.

The purpose of this valuation is to express an independent opinion of the Fair Value of the Target Companies as at the Valuation Date for circular reference purpose. The valuation result should not be construed to be a fairness opinion, a solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of captioned subjects.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the business provided by Management. The fair values of the equities of the Target Companies are subject to a number of assumptions concerning historical financial information and its current financial position. To the extent that any of these assumptions or facts changed, the result of the valuation would be changed accordingly.

STANDARD OF VALUE

We conducted the valuation exercises in accordance with International Valuation Standards (IVS) and provide our opinion of values in formal reports. According to IVS, our opinion of the Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The valuation was prepared in accordance with IVS as published by International Valuation Standards Council.

PREMISE OF VALUE

Premise of value is an assumption regarding the most likely set of transaction circumstances that may be applicable to the subject valuation such as going concern or liquidation.

A going concern value represents the value of a business enterprise that is expected to continue to operate into the future. A liquidation value represents the value of the business on the premise that all assets of the enterprise will be disposed on a piecemeal basis.

This report is prepared using the premise that the subject company is a going concern, which presumes that the subject business enterprise will continue to operate into the future.

FINANCIAL OVERVIEW

As Epic Wealth was an active business, we consider that its revenue and net profit/loss were its key indicators of business value. As Pacific Surplus was at its startup stage of business without other significant business activities, we consider that its net assets and tangible assets were the most relevant parameters in its valuation.

Based on the draft unaudited financial statements, Epic Wealth had a revenue of RMB20,447,000, and a net loss of RMB2,055,000 from its operation of the winery business for the nine-month period from 1 January 2024 to 30 September 2024. Meanwhile, Pacific Surplus had a net asset value of RMB83,091,000 and was loss making for the period from 1 January 2024 to 30 September 2024. Pacific Surplus has been developing its distillery facilities and held property, plant and equipment relating to the distillery facilities, as its most significant asset as of the Valuation Date.

The draft unaudited statement of financial position of Epic Wealth and Pacific Surplus are summarized in the following tables.

Epic Wealth – Draft Consolidated Statement of Financial Position on 30 September 2024

	Book Value <i>RMB'000</i>
NON-CURRENT ASSETS	
Property, plant and equipment	46,739
Right-of-use assets	13,689
Goodwill	1,361
Financial asset at fair value through other comprehensive income	1,000
Deferred tax assets	4,172
Total non-current assets	66,961
CURRENT ASSETS	
Inventories	87,644
Trade receivables	1,293
Prepayments and other receivables	2,729
Due from related parties	590
Due from shareholders	1
Due from a fellow subsidiary	5,137
Cash and cash equivalents	26,250
Total current assets	123,644
CURRENT LIABILITIES	
Trade payables	423
Other payables and accruals	3,468
Tax payable	564
Due to related parties	10,786
Due to subsidiaries	3
Lease liabilities	5
Total current liabilities	15,249
NET CURRENT ASSETS	108,395
TOTAL ASSETS LESS CURRENT LIABILITIES	175,356
NON-CURRENT LIABILITIES	
Lease liabilities	2,146
Deferred tax liabilities	3,989
Total non-current liabilities	6,135
Net assets	169,221

Pacific Surplus – Draft Consolidated Statement of Financial Position on 30 September 2024

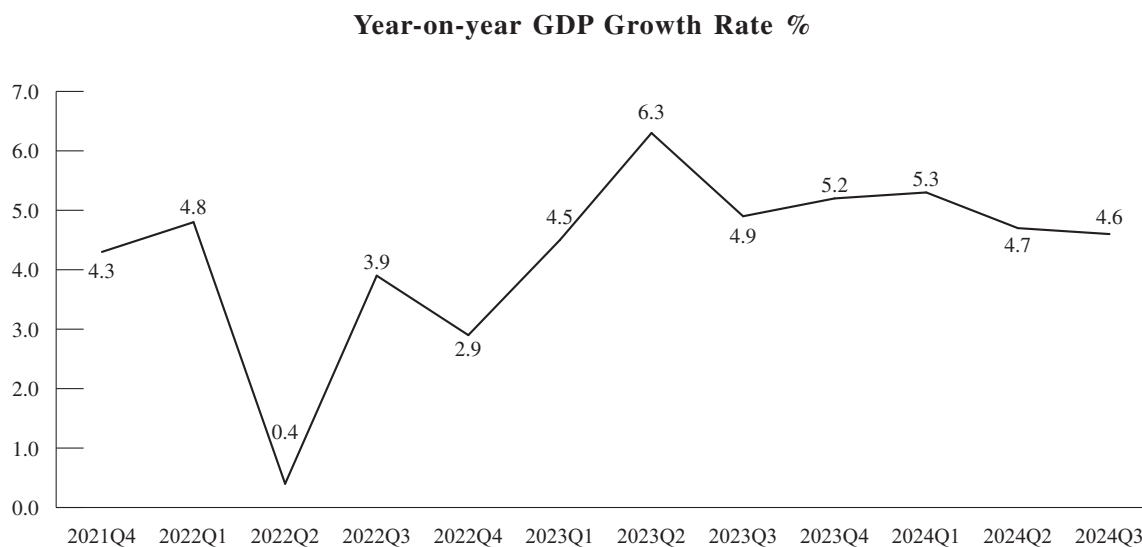
	Book Value <i>RMB'000</i>
NON-CURRENT ASSETS	
Property, plant and equipment	120,641
Right-of-use assets	6,994
Goodwill	2,726
Total non-current assets	130,361
CURRENT ASSETS	
Inventories	6,268
Prepayments and other receivables	11,335
Due from a fellow subsidiary	3
Cash and cash equivalents	1,651
Total current assets	19,257
CURRENT LIABILITIES	
Other payables and accruals	2,388
Due to fellow subsidiaries	5,137
Due to immediate holding company	8,385
Interest-bearing bank borrowings	1,305
Profit Tax Provision	–
Deferred tax liabilities	–
Total current liabilities	17,215
NET CURRENT ASSETS	2,042
TOTAL ASSETS LESS CURRENT LIABILITIES	132,403
NON-CURRENT LIABILITIES	
Interest-bearing bank borrowings	49,284
Deferred tax liabilities	28
Total non-current liabilities	49,312
Net assets	83,091

ECONOMIC OVERVIEW

As the Target Companies are operating within the economy of China, its business is affected by economic conditions and market fluctuations in China. We have reviewed the economic condition of China where the Target Companies will derive its future income from.

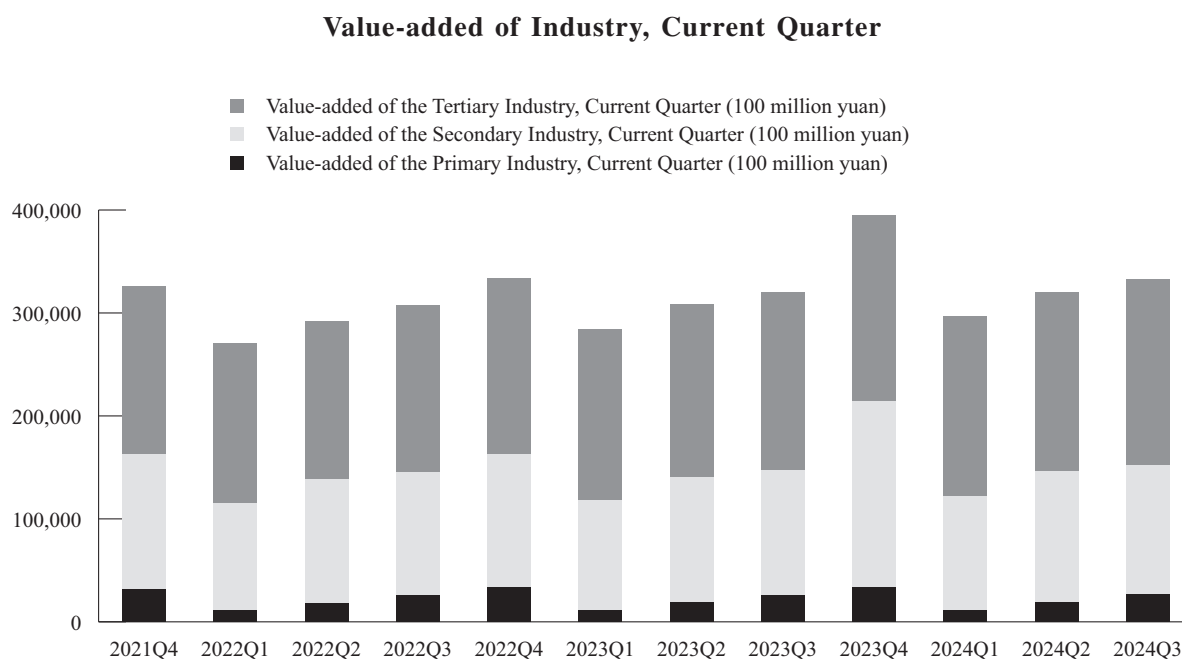
Since the third quarter of 2023, the Chinese economy has continued to experience a slowdown. GDP grew at a year-on-year rate of 4.6 percent in Q3, and recorded a decelerated of 0.1 percentage points from Q2. Prices remained generally stable, with the Consumer Price Index (CPI) witnessing a year-on-year growth of 0.3 percent in the first three quarters. Despite the Chinese government implementing a range of policies aimed at supporting the struggling property sector, underlying economic issues has persisted, causing ongoing challenges for the broader economy.

Chart 1 – Year-on-year GDP Growth Rate %



Source: National Bureau of Statistics of China

Chart 2 – Value-added of Industry, Current Quarter (100 million yuan)



Source: National Bureau of Statistics of China

Table 1 – Consumer Price Index in September 2024

	M/M (%)	Y/Y (%)	Jan-Sep Growth Rate (%)
Consumer Prices Index	0	0.4	0.3
Of which: Urban	-0.1	0.4	0.2
Rural	0.1	0.6	0.3
Of which: Food	0.8	3.3	-1.2
Non-food	-0.2	-0.2	0.6
Of which: Consumer goods	0.2	0.5	-0.1
Services	-0.3	0.2	0.8
Of which: Excluding food and energy	-0.1	0.1	0.5

Source: National Bureau of Statistics of China

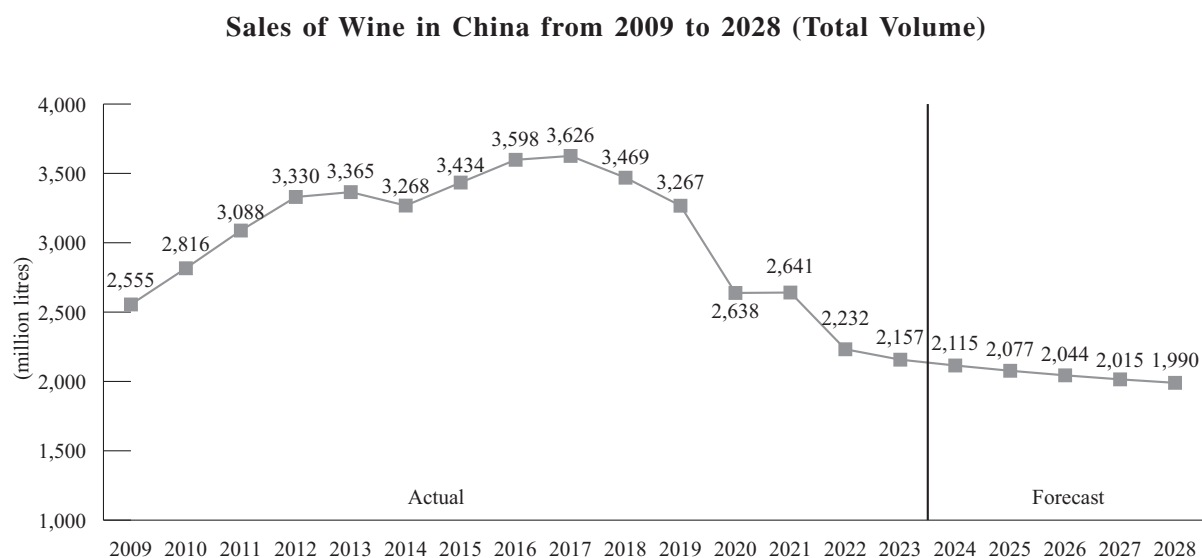
Current international economic growth is slowing, geopolitical conflicts persist, and volatility in international financial markets is increasing. Domestic economic operations face new challenging obstacles, mainly manifested as insufficient domestic demand, operational difficulties for some enterprises, property sector downturn and numerous hidden risks in key areas.

INDUSTRY OVERVIEW

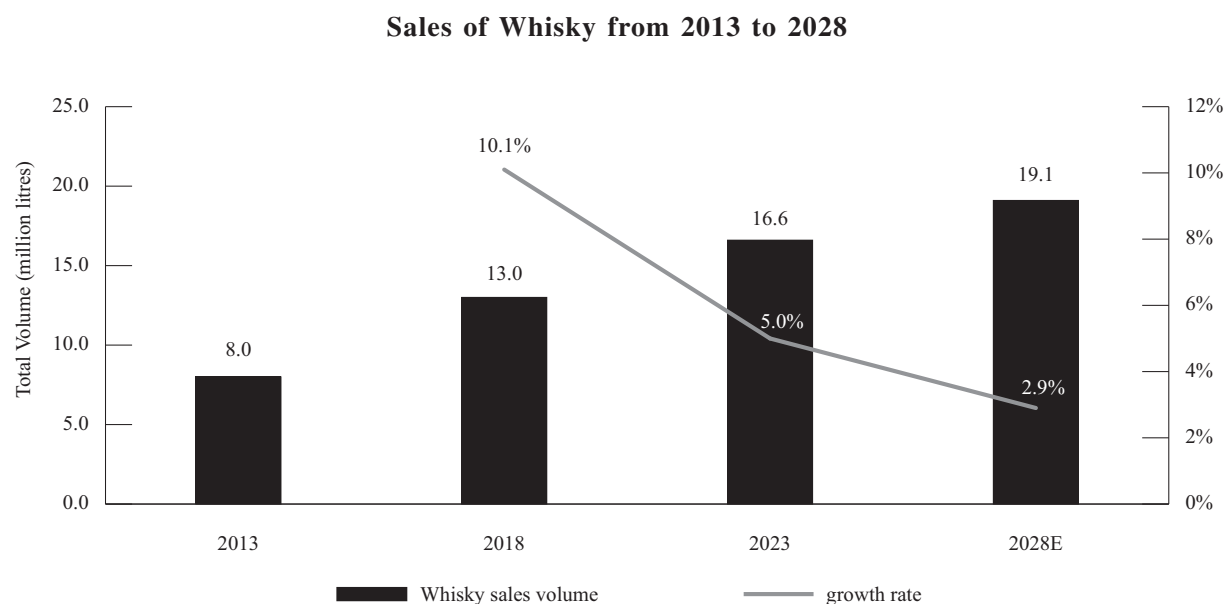
Currently China's growth momentum continues to weaken for the past few years. Meanwhile, China's economy faces several challenges, such as the property sector downturn, rising food prices, and diminishing domestic demand.

In 2023, the market conditions of the wine industry have deteriorated from past years in face of the declining demand, rising raw material cost and decelerated turnover of inventories. By 2023, the wine sales volume reached its lowest point in a decade. Although the interest rates for corporate loans further declined, the real interest rate remained relatively high. The CPI for food surged by 3.3% from Q3 2023 to Q4 2024, further increasing the pressure on the alcoholic beverage manufacturer's cost.

Chart 3 – Sales of Wine in China (in million litres) from 2009 to 2028



Source: China Investment Corporation (CIC)

Chart 4 – Sales of Whisky in China (in million litres) from 2013 to 2028

Source: China Investment Corporation (CIC)

According to a market research study by China Investment Corporation (CIC), the sales volume of wine increased steadily from 2009 to 2017 and peaked in 2017. However, the sales of wine in the PRC begin to decline from 2018. The wine sales volume accumulatively decreased by around 40.5% from the peak (3,626 million litres) in 2017 to the lowest (2,157 million hectolitres) in 2023. The rate of decline accelerated further from 2019 to 2022 and experienced the hardest year-on-year rate of decline (19.3%) from 2019 to 2020. The CIC forecasted that wine sales in China will continue to reduce gradually in the future.

As for the whisky market in China, according to the CIC research, the growth rate of whisky sales in China is shrinking from a 10.1% annualized rate in the period of 2013 to 2018, to a projected 2.9% annualized rate in the forecast period of 2023 to 2028. Also, due to the small market size of whisky in China and the dominance of well-established import whisky brands, the competition in the PRC whisky market is expected to further intensify. This would present challenges for both new entrants to the market and local whisky producers.

VALUATION METHODOLOGY AND BASIS

We have conducted the Valuation in accordance with the International Valuation Standard. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Companies. All the matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report. In arriving at our assessed value, we have considered three accepted approaches, namely, income approach, asset-based approach and market approach.

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

Asset-based approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised.

Selection of the Valuation Approach for Epic Wealth

In the valuation of the equity of Epic Wealth, the asset-based approach is not appropriate as it is an active business, and this approach ignores the economic benefits of ownership of the business. The income approach is not adopted in this exercise as the cash flow projections for the business of Epic Wealth would require numerous assumptions on projected growth/changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations are therefore not easily verifiable, supportable or reliably measured. We have therefore relied solely on the market approach in this valuation exercise.

The market approach generally involves two valuation methods, namely (i) the guideline public company method, which involve the use of the valuation multiples applicable to the subject companies, to assess the Fair Value of the equity, and (ii) the comparable transactions method, which involves the direct comparison of other transactions that may be considered similar to the subject transaction regarding the equity of Epic Wealth. The comparison transactions method is considered not appropriate due to the lack of public information on recent comparable transactions in the market.

We have adopted the guideline public company method in this exercise, and the multiples applicable to Epic Wealth are derived with reference to the valuation multiples of the comparable companies (“**Comparable Companies**”) of Epic Wealth.

Selection of the Valuation Approach for Pacific Surplus

In the valuation of the equity of Pacific Surplus, the income approach is not adopted as the cash flow projections for Pacific Surplus would have involved numerous assumptions on projected growth/changes in different streams revenue, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital

expenditure. Such assumptions and estimated are therefore not easily verifiable, supportable or reliably measured.

Pacific Surplus has not generated any income and the largest asset held by the business was the Properties and the Land. The company does not have other significant business activities as at the Valuation Date, other than the holdings of the Properties and the Land. No comparable public companies in a similar business cycle and circumstance as Pacific Surplus were found for the market approach assessment.

The asset-based approach is adopted for the valuation of the equity of Pacific Surplus, as the tangible assets (in particular, the Properties) is considered the best indicator of value for companies of similar status to Pacific Surplus. We therefore consider that the asset-based approach is the most appropriate method to appraise Pacific Surplus due to its business nature and unique circumstances.

For the purpose of our valuation, we have also derived the Fair Value of the equities of the Target Companies based on the available information and presently prevailing as well as prospective operating conditions of the business and by taking into consideration other pertinent factors which basically include the followings:

- the market and the business risks;
- the general economic outlook as well as specific investment environment;
- the nature and current financial status;
- the historical performance;
- the assumptions as stated in the section of Assumptions in this report.

EPIC WEALTH – MARKET APPROACH

The market approach generally involves two valuation methods, namely (i) the guideline public company method, which involve the use of the valuation multiples applicable to the subject companies, to assess the Fair Value of the equity, and (ii) the comparable transactions method, which involves the direct comparison of other transactions that may be considered similar to the subject transaction regarding the equity of Epic Wealth. The comparison transactions method is considered not appropriate due to the lack of public information on recent comparable transactions in the market.

We have adopted the guideline public company method in this exercise, which involve the use of the valuation multiples applicable to the subject companies, to assess the Fair Value of the equity. These multiples are derived with reference to the valuation multiples of the comparable companies (“**Comparable Companies**”) of Epic Wealth.

In assessing the relationship of a company's valuation with its fundamentals, the following valuation multiples are usually considered: the price-to-sales ratio ("**P/S multiple**"), the enterprise value-to-sales ratio ("**EV/S multiple**"), the price-to-earnings ratio ("**P/E multiple**"), the enterprise value-to-earnings before interest, tax, depreciation and amortization ("**EV/EBITDA multiple**"), and the price-to-book ratio ("**P/B multiple**"). The above multiples are the commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained directly from publicly available information and they are considered to reflect the valuation of a similar business from a market participant's perspective.

Epic Wealth recorded net loss and negative EBITDA in the period of 1 January 2024 to 30 September 2024. Therefore, the P/E multiple and EV/EBITDA were not adopted. Given that the Group is principally engaged in winery industry, and involves human capital and business relationships in operating the business. A main drawback of P/B multiple analysis is that it does not take into consideration human capital and intangible assets in appraising a business. Therefore, the P/B multiple was considered to be not appropriate for valuing businesses engaged in the winery industry. The enterprise value is commonly used in measuring the operating value of a business enterprise. Therefore EV/S multiple is generally preferred over P/S multiple in the valuation of businesses.

The EV/S multiple is considered appropriate for the valuation of the equity of Epic Wealth because the value of a business like Epic Wealth is directly related to its ability to drive sales of winery products. Thus, the revenue of Epic Wealth is considered the key value indicator of its business. The EV/S multiple is a common valuation multiple used to appraise the valuation of businesses with volatile profit fluctuations and/or non-profit making businesses. Therefore, it is considered that EV/S multiple would arrive at a representative valuation of the equity of Epic Wealth.

Identification of Suitable Comparable Companies

We have identified relevant Comparable Companies operating in China based on multiple sets of selection criteria in order to sort out particular companies that are comparable to the subject companies in terms of risks and business nature.

We have adopted the following screening process in arriving at our initial shortlist of companies to further sort out appropriate Comparable Companies for Epic Wealth:

- The shortlisted companies are categorized as operating in the alcoholic beverages manufacturing or specialty online retail industry according to Bloomberg.
- The market capitalization of the shortlisted company must be less than RMB5 billion, so that the shortlisted company would have comparable market capitalization with Epic Wealth. Companies operating in the PRC with market capitalization of less than RMB5 billion are conventionally considered small/micro market capitalization firms. We also referenced various market studies such as the CRSP Deciles Size Study, and

in 2023, companies with market capitalization of less than approximately RMB3.9 billion (after currency conversion) were considered micro-cap companies. We have selected the RMB5 billion market capitalization as the upper bound threshold to exclude companies up to the size of mega corporations which may operate across multiple regions and multiple segments unlike Epic Wealth.

Based on the information provided to us, Epic Wealth has all of its revenue derived from businesses of winery. We seek to select a list of Comparable Companies that have a similar source of revenue as the Epic Wealth, while they also have sufficient trading activities prior to the Valuation Date.

- Similar to Epic Wealth, the Comparable Companies should have over 50% of revenue derived from the businesses of winery aggregately according to their latest published annual reports and company websites.
- The Comparable Companies should also have over 50% of revenue derived from the PRC market aggregately.
- The financial information of the Comparable Companies must be publicly available.
- The Comparable Companies' historical trading data must be sufficient and available.
- The public trading of the Comparable Companies' shares should have suspended trading of no more than 30 days within one year before the Valuation Date.

Following the above process, five companies, namely Grace Wine Holdings Ltd (8146 HK), Dynasty Fine Wines Group Ltd (828 HK), Wei Long Grape Wine Co Ltd (603779 CH), China Ouhua Winery Holdings Ltd (COWH MK), and Tonghua Grape Wine Co Ltd (600365 CH) fit the above selection criteria, and are selected as the Comparable Companies. The list of selected Comparable Companies is exhaustive in terms of the above criteria.

In particular, Grace Wine is considered a suitable comparable company because its valuation multiples are direct market information on how the open market (i.e., other market participants) perceives the worth of a business operating in the winery industry similar to Epic Wealth. It should be noted that the shares of Grace Wine are public, whilst the shares of Epic Wealth are private.

Details of these Comparable Companies are summarized as below:

Name	Stock Code	Company Description	Reason for Selection
Grace Wine Holdings Ltd (“ Grace Wine ”)	8146 HK	Grace Wine Holdings Limited operates as a wine producing and marketing company. The Company provides red, white, and sparkling wine, and other related products. Grace Wine Holdings Limited mainly markets its products in China.	– The segmental revenue attributable to winery is 99% of this company’s total revenue. – The segmental revenue from China is 98% of this company’s total revenue.
Dynasty Fine Wines Group Ltd (“ Dynasty ”)	828 HK	Dynasty Fine Wines Group Limited produces and sells grape wine products under the Group’s trademarks in the People’s Republic of China. The Company has produced various wine products in the red wines, white wines, sparkling wines, and brandy categories.	– The segmental revenue attributable to winery products is 96% of this company’s total revenue. – The segmental revenue from China is 100% of this company’s total revenue.
Wei Long Grape Wine Co Ltd (“ Wei Long ”)	603779 CH	Weilong Grape Wine Co., Ltd grows grapes and produces organic wine. Weilong Grape Wine conducts businesses in China.	– The segmental revenue attributable to winery is 100% of this company’s total revenue. – The segmental revenue from China is 100% of this company’s total revenue.

Name	Stock Code	Company Description	Reason for Selection	
China Ouhua Winery Holdings Ltd (“China Ouhua”)	COWH MK	China Ouhua Winery Holdings Limited produces and retails wine. The Company produces varieties of red and white wines in China.	–	The segmental revenue attributable to winery is 100% of this company’s total revenue.
			–	The segmental revenue from China is 100% of this company’s total revenue.
Tonghua Grape Wine Co Ltd (“Tonghua”)	600365 CH	Tonghua Grape Wine Co., Ltd. manufactures and markets wines in China.	–	The segmental revenue attributable to winery is 90% of this company’s total revenue.
			–	The segmental revenue from China is 99% of this company’s total revenue.

The enterprise value-to-sales (EV/S) multiple of comparable companies included in our valuation were as follows:

Name	Stock Code	As at 30 September 2024				EV/S
		Market Capitalization (RMB’000)	Revenue (RMB’000)	Net Profit (RMB’000)		
Grace Wine	8146 HK	52,772	45,097	884		1.48
Dynasty	828 HK	483,259	243,781	26,519		1.6
Wei Long	603779 CH	3,224,524	420,776	(87,888)		8.24
China Ouhua	COWH MK	48,869	16,181	(3,480)		2.04
Tonghua	600365 CH	1,183,898	860,696	(28,030)		1.33

Source: Bloomberg or other public sources

As shown above, Wei Long Grape Wine Co Ltd (“**Wei Long**”) has an EV/S of 8.24, which is higher than those of the other comparable companies. It is noted that Wei Long has many characteristics like Epic Wealth and the other comparable companies.

Stock code	Wei Long	Grace Wine	Dynasty	China Ouhua	Tonghua
Similar operating locations of winery	Winery located in Shandong and Gansu Provinces, being in the northern region of China	Winery located in Shanxi Province, being in the northern region of China	Winery located in Tianjin, being in the northern region of China	Winery located in Yantai, Shandong, being in the northern region of China	Winery located in Tonghua, Jilin, being in the northern region of China
Similar business and manner of product distribution	All comparable companies produce winery products and conduct sales of their products both through online and offline retailing in China.				
Similar company size	All comparable companies have a market capitalization below RMB5 billion and are considered a micro-cap firm under CSRP Decile Size Study.				

In light of the above similarities, whilst the EV/S of Wei Long of 8.4 is higher than the other comparable companies, it is considered a suitable reference as a comparable company to indicate the applicable EV/S for Epic Wealth.

As the average value places equal weighting of representation of all the selected comparable companies, and they are considered equally indicative of the market valuation multiple for winery companies, this is used as the proxy EV/S multiple to be applied to the valuation of the equity of Epic Wealth. The average EV/S of the selected comparable companies is found to be 2.94.

In view of the limited and exhaustive number of Comparable Companies found through the above selection process, and given that this valuation exercise is performed for disposal purpose, we have adopted all relevant and available Comparable Companies to derive a reasonable and appropriate valuation multiple for the valuation of Epic Wealth.

Discount for Lack of Marketability (“DLOM”)

Privately held companies are not readily marketable and would face more difficulty in converting their shares into cash as compared with publicly held companies. DLOM is commonly considered in the valuations of privately held companies to reflect difference in the marketability of the shares of the subject private companies and that of the selected publicly-traded comparable companies.

We generally select the appropriate DLOM based on the 2023 Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability (latest available edition to date), which incorporated an examination of 776 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies. The discount of 15.70% implied by these 776 private placement transactions in comparison with the corresponding publicly traded common stocks, and is generally considered an appropriate proxy for DLOM for closed held private businesses.

Adjustment for Control

The 30% equity of Epic Wealth represents a minority interest value basis. In accordance with common valuation practices, because the valuation under the guideline public company method (market approach) is conducted using market information of common stock (minority stake) of public companies traded in open markets, the guideline public company method is generally considered to arrive at a minority control value basis. Therefore, no adjustment for control is considered necessary for the valuation of 30% equity of Epic Wealth.

Table: The Fair Value of the equity of Epic Wealth as of Valuation Date

		<i>RMB'000</i>
Trailing-twelve-months revenue*	(A)	42,320
(from 1 October 2023 to 30 September 2024; <i>RMB'000</i>)		
EV/S	(B)	2.94
EV	(A) x (B) = (C)	124,421
Cash	(D)	26,250
Debt	(E)	2,151
Add: Non-operating assets	(F)	6,737
Minus: Non-operating liabilities	(G)	11,492
Equity Value before marketability discount adjustment	(C) + (D) – (E) + (F) – (G) = (H)	143,765
DLOM	(I)	15.70%
Equity Value after marketability discount	(H) x 1 – (I) = (J)	121,194
Shareholding (%)	(K)	30%
Fair Value of the equity of Epic Wealth	(J) x (K) = (L)	36,358
Fair Value of the equity of Epic Wealth (rounded to the nearest million)		36,000

* Based on management accounts and management's representation on the revenue attributable to the winery business

PACIFIC SURPLUS LIMITED – ASSET-BASED APPROACH

Asset-Based Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This establishes value based on the cost of reproducing or replacing the subject assets less depreciation from physical deterioration and functional and economic obsolescence if present and measurable. This approach is considered the most consistently reliable indication of value for assets without known open markets or separately identifiable cash flows.

As part of our analysis, we have conducted a fair value assessment of the assets and liabilities held by Pacific Surplus. We have also relied to a considerable extent on information provided by Grace Wine in arriving at our appraisal of these assets and liabilities. Details of adjustments (if any) to the assets and liabilities to reflect fair value basis are outlined as follows.

1. Property, plant and equipment and the prepaid land lease payments

According to management, this represents the Properties (including property, plant and equipment and construction-in-progress) located at the facilities site to be used for production of distillery products. The prepaid land lease payments represent the Land. No other fixed assets are incorporated in these accounts. The Properties and the Land represent an industrial complex in Xinluo District, Longyan City, Fujian Province. The fair value of the Properties and the Land was appraised using the Depreciated Replacement Cost (DRC) method.

Depreciated Replacement Cost is based on an estimate of the fair value for the existing use of the Properties and Land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence, if any. The Depreciated Replacement Cost of the Properties (including property, plant and equipment and construction-in-progress) and the Land generally provided the most reliable indication of value of an asset in the absence of a known market based on comparable sales.

Under the Depreciated Replacement Cost (DRC) Approach, the fair value is calculated as the sum of the land value and the depreciated replacement cost of the buildings and structures. A site inspection was conducted in November 2024, during which the condition and usage of the Properties and the Land were assessed.

The value of the Land was determined by referencing three recently transacted industrial sites in the district, with unit prices ranging from RMB166 to RMB215 per sq. m. These comparables shared similar characteristics such as usage, tenure, transacted date and location. The selection of the comparables is considered exhaustive. These transactions, dated between September and November 2024, were for lots ranging in size from approximately 6,500 to 13,500 sq. m. After considering factors such as location, size, and land use term with adjustments ranging from 2% to 10%, a market unit price of RMB180 per sq. m. was applied for the appraisal of the Land.

The Properties comprised the following three components:

(i) *Main buildings and structures*

The main buildings and structures represent the main industrial buildings of distillery facilities. It is tailor-made and no appropriate comparable is available. In the appraisal of the main buildings and structures, the original construction costs are adjusted with reference to the construction costs from the Fujian Province Construction Cost Index and the results of consultation with local construction advisers, as well as adjustments for the design and uses of each of the buildings of the property. In particular, the distillation workshop and cellar are considered specialized facilities designed for malt distilling and wine storage, respectively. These designs deviate from standard industrial specifications. In this exercise, we have made cost adjustments based on consultations with local construction advisers. The replacement costs for the main buildings and structures were adjusted upward by approximately 10% compared to general industrial buildings.

(ii) *Auxiliary buildings*

The auxiliary buildings represent warehouse, office, canteen, dormitory and other buildings next to the main buildings and structures of the distillery facilities. They were appraised with reference to published replacement construction costs for general industrial uses. The 2024 edition of the “Fujian Province Construction Cost Index” was referenced, with adjustments for inflation and local labour costs. Concerning the finishing materials for the auxiliary buildings, our consultations with local advisers indicated that there are 0–10% changes in the costs for such materials from the original purchase dates to the Valuation Date.

Depreciation was applied to the replacement cost of each building and structure based on its age, condition, and remaining useful life as observed during the site inspection. The straight-line depreciation method was adopted. The length of useful life is assumed to be 50 years, with reference to Category 3 of Table 3.2.1 “Classification of Design Service Life” in the “Code for Design of Civil Buildings GB 50352-2005” announced by the Ministry of Construction of the People’s Republic of China in Announcement No. 327 and effective as of 1 July 2005. The depreciation rate is computed to be approximately 3.7% per annum.

(iii) *Machinery and equipment*

Machinery and equipment include furniture, barrels, electronics, machinery, structures, and vehicles, which are appraised based on their useful life, market price trends, and depreciation. The replacement costs of the machinery and equipment were computed as the original purchase price of the relevant items multiplied by a price adjustment factor, which in turn is derived as the factor of 1 plus the rate of the change in market price between the original purchase date and the Valuation Date. Depreciation was then applied to the replacement costs based on the condition, and remaining useful life of the relevant items.

The straight-line depreciation method was adopted to arrive at the depreciated replacement costs of the machinery and equipment.

The types of machinery and equipment, the adopted price adjustment factors, and the useful life are summarized in the below table.

Equipment Type	Change in Market Price*	Price Adjustment Factor	Useful Life (in years)*
Barrels	-16.7%	0.833	6
Electronics	-2.5%	0.975	6
Vehicle	-2.5%	0.975	8
Machinery	-2.5%	0.975	10
Furniture	-2.5%	0.975	15

* These are expressed as the useful life and the change in price between the original purchase date and the Valuation Date.

2. Inventories

According to the information provided by the Company, the inventories principally represent raw materials and distillery intermediaries undergoing fermentation process as of the Valuation Date. It is considered that these raw materials and intermediaries were acquired in the current period and their fair values are not be materially different from the book values.

3. Prepayments and other receivables

This represents the amounts of prepayments and other receivables by Pacific Surplus. As prepayments and other receivables arise from the normal business operations, are current in nature and are expected to be settled within the current fiscal period, it is considered that their fair values are not materially different from their book values, and no individual valuations on them were performed per the instruction of Grace Wine.

4. Deferred tax assets

We have calculated the deferred tax assets as the fair value changes of the Properties and the Land as the difference between their book values and fair values multiplied by the applicable profit tax rate of 25% based on the management's advice of relevant tax policies that would be applied to the subject Properties and Land. In particular, the amount of deferred tax assets is computed as follows:

<i>RMB'000</i>		
Decrease in Fair Value of the Properties (i.e., property, plant and equipment)	(a)	120,641 – 102,300 = 18,341
Decrease in Fair Value of the Land (i.e., prepaid land lease payments)	(b)	6,994 – 6,900 = 94
Fair Value of Deferred Tax Assets (Rounded to thousands)	[(a) + (b)] x 25%	18,435 x 25% = 4,609

5. Goodwill

This represents goodwill arising from the past acquisition of Maxco Asia Limited by Grace Wine in August 2019. According to Management, other than the development of the distillery facilities and business, the business unit has not planned for any other new projects. As the values of Properties and Land have been marked to market, and the business unit in its latest status as at the Valuation Date does not have significant business activities other than the ongoing development of the Properties and Land, no intangible asset can be reasonably quantified and recognized. Therefore, the fair value of goodwill as at the Valuation Date is considered nil.

6. Cash and cash equivalents

This represents cash in banks and time deposits and is the most liquid asset available for use of the firm. The fair value of cash and cash equivalents is equal to their book value.

7. Other payables and accruals, due from a fellow subsidiary, due to a fellow subsidiary and due to immediate holding company

Based on the discussion with the management, all other payables and accruals, due from a fellow subsidiary, due to a fellow subsidiary and due to immediate holding company should be settled either on demand or in short period of time and no material timing difference was noted.

8. Deferred tax liabilities

They represent taxes deferred and not yet paid. Whilst the amount is not significant, it is also considered that its book value is not materially different from its fair value.

9. Interest-bearing bank borrowings

Per discussion with management, this represents borrowings provided by banks for the business operations of Pacific Surplus. Provided that the borrowings and interests are offered by the banks at arm's length, and the interest rates do not materially change between the inception date and the Valuation Date, the book value is considered to be not materially different from the fair value.

Adjusted Net Asset Value Analysis on 30 September 2024

	Book Value 30 September 2024 RMB'000	Fair Value 30 September 2024 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	120,641	102,300
Prepaid land lease payments	6,994	6,900
Goodwill	2,726	–
Deferred tax asset	–	4,609
Total non-current assets	130,361	113,809
Current assets		
Inventories	6,268	6,268
Prepayments and other receivables	11,335	11,335
Due from fellow subsidiaries	3	3
Cash and cash equivalents	1,651	1,651
Total current assets	19,257	19,257
Total assets	149,618	133,066
Liabilities		
Non-current liabilities		
Interest-bearing bank borrowings	49,284	49,284
Deferred tax liabilities	28	28
Total non-current liabilities	49,312	49,312
Current liabilities		
Other payables and accruals	2,388	2,388
Due to fellow subsidiaries	5,137	5,137
Due to immediate holding company	8,385	8,385
Interest-bearing bank borrowings	1,305	1,305
Profit Tax Provision	–	–
Deferred tax liabilities	–	–
Total current liabilities	17,215	17,215
Total liabilities	66,527	66,527
Net Asset Value (before marketability adjustments)	83,091	66,539

DLOM

Similar to the valuation of the equity of Epic Wealth, a DLOM of 15.7% is adopted for the valuation of the equity of Pacific Surplus with reference to the 2023 Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability, which included an examination of 776 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies. The adopted DLOM is the median discount implied by these 776 private placement transactions in comparison with the corresponding publicly traded common stocks. This discount is considered to be applicable to reflect its lack of marketability of private equity similar to that of Pacific Surplus, and is considered fair and reasonable for the valuation of the equity of Pacific Surplus.

Adjustment for Control

The 100% equity of Pacific Surplus represents a controlling basis of value. In accordance with common valuation practices, the valuation under the asset-based approach represents controlling interest values because the assessment of assets and liabilities under this approach is conducted from the perspective of a controlling owner. Therefore, no adjustment for control is considered necessary for the valuation of the 100% equity of Pacific Surplus.

<i>RMB'000</i>		
Adjusted Net Asset Value (before marketability adjustments)	(A)	66,539
DLOM	(B)	15.7%
Adjusted Net Asset Value after DLOM	(A) x [1 – (B)] = (C)	56,092
Fair Value of 100% equity of Pacific Surplus (rounded to the nearest million)		56,000

TITLE DOCUMENTS

We have been provided with copies of extracts of title documents relating to the Properties. However, we have not caused title searches to be made for the Properties at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us.

SOURCE OF INFORMATION AND CAVEATS

We have been provided with extracts of copies of relevant documents and financial information relating to Epic Wealth and Pacific Surplus. We have relied upon the aforesaid information in forming our opinion of the Fair Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material

to the valuation. We have also been advised by the Target Companies that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

ASSUMPTIONS

In the course of valuation, the following specific assumptions and caveats have been made. We have based on the followings to conclude the Fair Value of the Target Companies.

- We have assumed that the accuracy of financial and operational information provided to us by Grace Wine, and relied to a considerable extent on such information in arriving at our opinion of value.
- We are not tax experts on matters regarding the deferred tax assets, deferred tax liabilities and profit tax provision applicable to the Target Companies. The deferred tax assets of Pacific Surplus are assumed to be the difference between book values and fair values of the Properties and the Land multiplied by the applicable profit tax rate of 25% based on the management's advice. Should the actual tax assets and liabilities to be incurred to the Target Companies be different from the assumed assets and liabilities in this report, the valuation result would be changed significantly.
- It is assumed that Epic Wealth will continue to operate as a winery business and Pacific Surplus will continue to develop and operate the distillery facilities (i.e., the Properties and the Land) in the foreseeable future.
- The valuation of the Properties has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Properties.
- No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.
- It is assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.
- There will be no major changes in the current taxation law in the areas in which the Target Companies carry on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with.
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing.
- The Target Companies will retain their management and technical personnel to maintain their ongoing operations.
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business.
- The Target Companies will remain free from claims and litigation against the business or its customers that will have a material impact on value.
- The Target Companies are unaffected by any statutory notice and the operation of the business will not give rise to any contravention of any statutory requirements.
- The business is not subject to any unusual or onerous restrictions or encumbrances.

SITE INSPECTIONS

Site inspection of the Properties was carried out by a member of our staff in November 2024. We have inspected the exterior and, where possible, the interior of the Properties. We have not inspected those parts of the Properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

LIMITING CONDITIONS

We have to a considerable extent relied on the financial data and other related information provided by the Target Companies. We are not in a position to comment on the lawfulness of the business.

To the best of our knowledge, the statements of facts contained in this document, upon which the analysis and conclusions expressed are based, are true and correct. Information, estimates and opinions furnished to us and contained in this document or utilized in the formation of the Valuation were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us.

To the extent that any of the adopted assumptions or facts provided to us are changed, the result of the Valuation would be different. It should be noted that the financial information regarding the Target Companies provided to us has been represented by management and was assumed for the purposes of this opinion that such information was reasonably prepared with diligence and based on best efforts of management as to the current results of the operations and financial conditions of the Target Companies.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculations have been sent to management of the Target Companies and Grace Wine. They have reviewed and orally confirmed to us that the facts, as stated in this report and calculations, are accurate in all material respects. Management confirms that they have performed the necessary due-diligence on the information provided, and understands that any material changes or errors in such information could lead to a substantial change in our valuation result. As of the date of this report, they are not aware of any material matters relevant to our engagement that were excluded.

Management should also acknowledge that the valuation was carried out using theoretical valuation approaches, and thus could be different from any potential transaction prices. The valuation result should therefore be used for Grace Wine's circular reference purpose only. It is noted that Management has reviewed all valuation results and agreed with all relevant valuation inputs and calculations.

REMARKS

Unless otherwise stated, all money amounts are stated in Renminbi (“**RMB**”). In cases where the HKD amounts are stated, the adopted exchange rate of HKD/RMB is HKD1.08/RMB.

We hereby confirm that we have neither present nor prospective interests in Grace Wine, the Target Companies and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Companies, Grace Wine and us.

OPINION OF THE VALUE

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that as at the Valuation Date: the Fair Value of 30% equity of Epic Wealth and the Fair Value of 100% equity of Pacific Surplus were reasonably stated as **RMB36,000,000 (or equivalently HKD38,880,000)** and **RMB56,000,000 (or equivalently HKD60,480,000)** respectively.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited

Jasper Chan
CFA, FRM
Director

Notes:

Jasper Chan, CFA, FRM

Mr. Jasper Chan is a CFA® charterholder and a certified FRM® with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, mine valuations, etc. He also has extensive experience in providing valuation advisory services to private equity funds, and providing litigation support in relation to commercial and matrimonial disputes. His work has covered a range of different industries including manufacturing, financial services, mineral resources, forestry, IT, pharmaceutical, casinos & gaming, etc.

Contributing Valuers

Vincent Pang, MHKIS, MRICS, R.P.S. (GP)

Director

Mr. Vincent Pang is a Registered Professional Surveyor in General Practice Division with over 27 years valuation experience on properties in Hong Kong and the PRC.

K.S. Lo, MRICS, CPA, CFA and FRM

Director

Mr. K.S. Lo is MRICS, CPA, CFA and FRM member/charterholder. He has 18 years extensive and diversified valuation experience on properties, company and financial instruments over Asia Pacific.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or Its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/Nature of interest	Number of ordinary Shares held⁽¹⁾	Approximate percentage of issued share capital of the Company
Ms. Chan ⁽²⁾	Interest in a controlled corporation ⁽²⁾	411,350,000 (L)	51.38%
	Beneficial owner ⁽³⁾	8,000,000 (L)	1.00%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Macmillan Equity is wholly-owned by Ms. Chan, and therefore Ms. Chan is deemed to be interested in the 411,350,000 Shares held by Macmillan Equity pursuant to the SFO.
- (3) The share options granted by the Company under its share option scheme to Ms. Chan on 17 May 2021.

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of ordinary Shares held ⁽¹⁾	Approximate percentage of issued share capital of the Company
Ms. Chan ⁽²⁾	Macmillan Equity	Beneficial owner	100 (L)	1.00%

Notes:

(1) The letter “L” denotes the person’s long position in the Shares.

(2) Macmillan Equity is wholly-owned by Ms. Chan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors and the chief executive of the Company are aware, as at the Latest Practicable Date, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Macmillan Equity ⁽²⁾	Beneficial owner	411,350,000 (L)	51.38%
Palgrave Enterprises ⁽³⁾	Beneficial owner	173,180,000 (L)	21.63%
Ms. Wong	Beneficial owner	4,950,000 (L)	0.62%
	Interest in a controlled corporation ⁽³⁾	173,180,000 (L)	21.63%
Mr. Chan Chun Keung ⁽⁴⁾	Interest of spouse	178,130,000 (L)	22.25%
Mr. Ting Tan Ming	Beneficial owner	48,540,000 (L)	6.06%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Macmillan Equity is wholly-owned by Ms. Chan.
- (3) Palgrave Enterprises is wholly-owned by Ms. Wong, and therefore Ms. Wong is deemed to be interested in the 173,180,000 Shares held by Palgrave Enterprises pursuant to the SFO.
- (4) Mr. Chan Chun Keung, the spouse of Ms. Wong, is deemed to be interested in the 4,950,000 Shares held by Ms. Wong and the 173,180,000 Shares held by Ms. Wong through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.
- (5) Pursuant to Section 336 of the SFO, if certain conditions are fulfilled, the shareholders of the Company are required to submit a form for disclosure of interests. In the event of changes in the shareholding of the Shareholders in the Company, the shareholders of the Company will not be required to notify the Company and the Stock Exchange unless certain conditions have been fulfilled, so that the latest shareholding of the shareholders of the Company may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person or corporation (other than the Directors and the chief executive of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

Save as disclosed above, none of the Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete with the businesses of the Group that need to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting and which was significant in relation to the businesses of the Group.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong)
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser
APAC Asset Valuation and Consulting Limited ^(Note)	Independent professional valuer

Note: The Valuer is an asset appraisal company established in 2013, and has relevant experience in undertaking the valuation of equity transactions in Hong Kong. Mr. Jasper Chan, being a director of the Valuer and the person-in-charge of the valuations, is a CFA® charterholder and a certified FRM® with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, and mine valuations. Therefore, the Valuer is qualified and competent to conduct the valuations and prepare the Valuation Report.

As at the Latest Practicable Date, each of the experts identified above had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts identified above had no direct or indirect interests in any assets which have been, since 31 December 2023 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company under the GEM Listing Rules) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the Pacific Surplus Agreement;
- (b) the Epic Wealth Agreement;
- (c) the Pacific Surplus Supplemental Agreement; and
- (d) the Epic Wealth Supplemental Agreement.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations, arbitrations or claims of material importance and no litigations, arbitrations or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MISCELLANEOUS

- (a) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.
- (b) The company secretary of the Company is Mr. Chiu Ming King who is a fellow member of The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute.
- (c) The compliance officer of the Company is Ms. Chan.
- (d) The principal place of business of the Company in Hong Kong is Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.
- (e) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (f) The Cayman Islands principal share registrar and transfer office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (g) The branch share registrar of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

10. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company (the “**Audit Committee**”) comprises two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

Mr. Lim Leung Yau Edwin (“Mr. Lim”), aged 61, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Audit Committee and a member of the remuneration committee, the nomination committee and the investment committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Lim has over 38 years of experience in the finance and banking industry. Currently, he is the Market Head of China and Taiwan at HSBC Private Banking since October 2018. From July 2016 to October 2018, he worked at Credit Suisse AG Hong Kong branch, with his last position as a managing director and the market group head. From June 2011 to July 2016, Mr. Lim worked at J.P. Morgan Private Bank, with his last position as a managing director and the head of private wealth management, Northeast Asia, where he was primarily responsible for leading and supervising his team and delivering investment, wealth and capital advisory services to high net worth clients in the North East Asia region. From August 2006 to June 2011, he worked at DBS Bank (Hong Kong) Limited, with his last position as head of North Asia, private banking and wealth management, where he was primarily responsible for providing wealth management advisory services to high net worth individuals in the region. Prior to that, from 1986 to 2006, Mr. Lim had worked at various banks including Credit Suisse, Citibank, N.A. and Barclays Bank PLC.

Mr. Lim obtained his bachelor’s degree in business administration, majoring in finance, from The Chinese University of Hong Kong in July 1986. Mr. Lim has been certified as a private wealth professional by the Private Wealth Management Association Limited since March 2016.

Mr. Ho Kent Ching-tak (“Mr. Ho”), aged 43, was appointed as an independent non-executive Director on 1 June 2018. He is a member of the Audit Committee and nomination committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Ho was a non-executive director from May 2010 to February 2014 and an executive director of Sing Tao News Corporation Limited (SEHK: 1105) from February 2014 to June 2021 where he was primarily responsible for the development of digital media and related business in Hong Kong, North America, Australia, Europe and the PRC.

Mr. Ho has over 10 years of experience in media business development. He is also experienced in wealth management and investments focusing on high-tech industries since 2015. In May 2015, Mr. Ho founded Spectrum 28, a venture capital firm based in Silicon Valley, where he has been a managing partner since June 2015.

Mr. Ho obtained his bachelor's degree in economics and a certificate in the markets and management programme from Duke University in the United States in May 2003. He then obtained a master's degree in business administration from Stanford Graduate School of Business in the United States in June 2009. Mr. Ho has also been a member of the board of directors of the Hong Kong Science and Technology Parks Corporation since July 2017, a member of the Hong Kong Trade Development Council's Innovation and Technology Advisory Committee since April 2017 and was conferred the title of Honorary Trustee of Peking University in December 2016.

Mr. Chow Christer Ho ("Mr. Chow"), formerly known as Chow Ho, aged 50, was appointed as a non-executive Director on 24 July 2017. He is a member of the Audit Committee, the nomination committee and the investment committee of the Company. He is responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Chow has over 20 years of experience in the real estate development and investment industry. Currently, Mr. Chow is a managing director of LaSalle Investment Management, a member of the Jones Lang LaSalle Group (principally engaged in real estate investment management), where he is primarily responsible for advising and managing real estate investment portfolios of institutional investors. From 2007 to March 2012, he worked at Jones Lang LaSalle, with his last position as the head of corporate finance, Greater China, where he was primarily responsible for providing real estate investment advisory and consulting services. From January 2003 to 2007, Mr. Chow worked at Hong Kong Disneyland Management Limited with his last position as development manager, where he was primarily responsible for the master planning, infrastructure and development management of the Hong Kong Disneyland Resort.

Mr. Chow obtained his bachelor's degree in civil engineering and his master's degree in civil engineering from the University of California, Los Angeles (UCLA) in the United States in June 1995 and June 1996, respectively. He then obtained his master's degree in business administration from the Hong Kong University of Science and Technology in August 2002. Mr. Chow also serves on the MBA Alumni Advisory Board of the Hong Kong University of Science and Technology business school since 2011 and has been on the jury board of the MIPIM Asia Awards, an internationally renowned real estate competition, since 2015.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <http://www.gracewine.com.hk> for a period of 14 days from the date of this circular:

- (a) the material contracts referred to in “7. Material contracts” above in this appendix;
- (b) the agreed form of the Assignment of the Sale Loan as set out in Schedule 4 to the Pacific Surplus Agreement;
- (c) the agreed form of the Deed of Indemnity as set out in Schedule 5 to the Pacific Surplus Agreement;
- (d) the agreed form of the Share Pledge Agreement as set out in Schedule 6 to the Pacific Surplus Agreement;
- (e) the agreed form of the Shareholders’ Agreement as set out in Schedule 4 to the Epic Wealth Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out under the section headed “Letter from the Independent Board Committee” of this circular;
- (g) the letter from Somerley Capital Limited, the Independent Financial Adviser, the text of which is set out under the section headed “Letter from the Independent Financial Adviser” of this circular;
- (h) the report on review of the financial information of the Pacific Surplus Group, the text of which is set out in Appendix IIA to this circular;
- (i) the report on review of the financial information of the Epic Wealth Group, the text of which is set out in Appendix IIB to this circular;
- (j) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (k) the Valuation Report, the text of which is set out in Appendix V to this circular;
- (l) the letters of consent from the experts identified in the section headed “QUALIFICATION AND CONSENT OF EXPERTS” above in this appendix; and
- (m) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Grace Wine Holdings Limited 怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8146)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise defined, capitalised terms used in this notice of extraordinary general meeting of Grace Wine Holdings Limited (the “Company”) shall have the same meaning as those defined in the circular of the Company dated 24 January 2025 (the “Circular”).

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting will be held at Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on Wednesday, 19 February 2025 at 2:30 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. **“THAT** (i) the Pacific Surplus Agreement (a copy of which is tabled before the meeting marked “A” for identification purpose) and the Pacific Surplus Supplemental Agreement (a copy of which is tabled before the meeting marked “B” for identification purpose) in relation to the proposed disposal by the Company of the entire issued share capital of Pacific Surplus and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and (ii) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Pacific Surplus Agreement and the Pacific Surplus Supplemental Agreement, and the transactions contemplated thereunder.”
2. **“THAT** (i) the Epic Wealth Agreement (a copy of which is tabled before the meeting marked “C” for identification purpose) and the Epic Wealth Supplemental Agreement (a copy of which is tabled before the meeting marked “D” for identification purpose) in relation to the proposed disposal by the Company of 30% of the issued share capital of Epic Wealth and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and (ii) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Epic Wealth Agreement and the Epic Wealth Supplemental Agreement, and the transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT** (i) the declaration and payment of the Pacific Surplus Special Dividend (being a special dividend of HK7.802 cents per Share) in cash to Shareholders and on the terms and subject to the conditions as described in the Circular, be and are hereby confirmed and approved; and (ii) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the declaration and payment of the Pacific Surplus Special Dividend.”
4. “**THAT** (i) the declaration and payment of the Epic Wealth Special Dividend (being a special dividend of HK4.256 cents per Share) in cash to Shareholders and on the terms and subject to the conditions as described in the Circular, be and are hereby confirmed and approved; and (ii) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the declaration and payment of the Epic Wealth Special Dividend.”

Yours faithfully,

By order of the Board

Grace Wine Holdings Limited

Judy Chan

Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 24 January 2025

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. For determining the entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 14 February 2025 to Wednesday, 19 February 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 13 February 2025.
4. See “Letter from the Board – 9. Proposed declaration and payment of the Special Dividends – 9.1 Conditions of the proposed declaration and payment of the Special Dividends” of the Circular for the conditions of the proposed declaration and payment of the Pacific Surplus Special Dividend and Epic Wealth Special Dividend, respectively. As the distribution and payment of each of the Pacific Surplus Special Dividend and the Epic

NOTICE OF EXTRAORDINARY GENERAL MEETING

Wealth Special Dividend are subject to the said conditions, the Pacific Surplus Special Dividend will only be distributed and paid if the Pacific Surplus Completion has taken place, and the Epic Wealth Special Dividend will only be distributed and paid if the Epic Wealth Completion has taken place.

Subject to the fulfillment of the above conditions, the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend will be paid to the Shareholders as soon as practicable after the Pacific Surplus Completion and the Epic Wealth Completion, respectively. The Company will announce further details with regard to (i) whether the Pacific Surplus Completion has taken place and if so, the book closure date, record date and payment date of the Pacific Surplus Special Dividend; and (ii) whether the Epic Wealth Completion has taken place and if so, the record date and payment date of the Epic Wealth Special Dividend.

5. See “Letter from the Board – 2. Pacific Surplus Disposal – 2.1 Pacific Surplus Agreement” and “Letter from the Board – 3. Epic Wealth Disposal – 3.1 Epic Wealth Agreement” of the Circular for the conditions of the Pacific Surplus Disposal and Epic Wealth Disposal. The Pacific Surplus Completion and the Epic Wealth Completion will be subject to the conditions including, among others, the declaration and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, are approved by the Independent Shareholders at the EGM. The Pacific Surplus Disposal and the Epic Wealth Disposal will not proceed (even if approved by the Independent Shareholders) if the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend, respectively, is not approved by the Independent Shareholders.
6. As at the date of this notice, the Board comprises Ms. Judy Chan as executive Director; Mr. Chow Christer Ho, Dr. Cheung Chai Hong and Mr. James Douglas Richard Field as non-executive Directors; and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as independent non-executive Directors.