

普倫國際融資有限公司

Pulun International Capital Limited

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19 January 2024

To the Independent Board Committee

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
BOCOM INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF CENTRAL POWER GROUP LIMITED
FOR ALL THE ISSUED SHARES IN JIA GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
CENTRAL POWER GROUP LIMITED AND/OR PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the “Letter from BOCOM Securities” and the “Letter from the Board” contained in the Composite Document dated 19 January 2024, of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 4 December 2023 (non-trading hours), the Offeror and the Selling Shareholders entered into a Share Purchase Agreement. Pursuant to which, the Controlling Stake Disposal Group and the Founding Shareholders as the vendors conditionally agreed to sell and the Offeror conditionally agreed to acquire 702,020,000 Shares, representing approximately 60.53% of the total issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares amounted to HK\$54,476,752, representing approximately HK\$0.0776 per Sale Share. Completion of the Share Purchase Agreement took place on 13 December 2023.

Immediately following Completion and as at the Latest Practicable Date, the Offeror became interested in 702,020,000 Shares, representing approximately 60.53% of the issued share capital of the Company. In addition, as at the Latest Practicable Date, there were 6,050,000 outstanding Share Options granted under the Share Option Scheme with an exercise price of HK\$0.1. As the exercise price of the Share Options is above the Share Offer Price, the Option Offer Price for cancellation of each of those Share Options is a nominal amount of HK\$0.0001.

Pursuant to Rules 26.1 and 13 of the Takeovers Code, upon Completion, the Offeror will be required to make mandatory unconditional general offers in cash (i) for all the issued Shares held by the Independent Shareholders; and (ii) to cancel all the outstanding Share Options (excluding the Surrendered Options which were cancelled by the Company upon Completion and before the making the Option Offer pursuant to the Share Purchase Agreement). BOCOM Securities, on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the terms set out in this Composite Document.

This letter forms part of the Composite Document and sets out our advice to the Independent Board Committee in respect of the Offers. The Independent Shareholders and the Optionholders should also consider information contained in the “Letter from BOCOM Securities”, “Letter from the Board”, the accompanying Forms of Acceptance and the appendices, which contain details of the terms of the Offers, the information of the Offeror and the intention of the Offeror in relation to the Group, before making their decision on the acceptance of the Offers.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors (other than Mr. Wee Keng Hiong Tony), namely Mr. Devin Nijanthan Chanmugam, and Mr. Leung Yuk Lun Ulric, has been established in accordance with Rule 2.1 of the Takeovers Code to advise the Independent Shareholders and the Optionholders as to whether the Offers are fair and reasonable, and as to acceptance of the Offers. As at the Latest Practicable Date, Mr. Wee Keng Hiong Tony has indicated that he does not intend to accept the Share Offer. As such, he is not a member of the Independent Board Committee.

We, Pulun International Capital Limited (formerly known as Titan Financial Services Limited), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code. The appointment of Pulun International Capital Limited (formerly known as Titan Financial Services Limited) as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE DECLARATION

During the past two years immediately preceding the Latest Practicable Date, save as this appointment as the Independent Financial Adviser, we had not been engaged by the Company as an independent financial adviser. We were not aware of any relationship or interests between us and the Company, the Offeror, or any other parties that could be reasonably regarded as hindrance to our independence to act as the Independent Financial Adviser during the past two years immediately preceding the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered and relied on, among other things, (i) the statements, information, opinions and facts contained in or referred to in the Composite Document; (ii) the annual reports of the Company for the financial year ended 31 December 2022 (the “**2022 Annual Report**”), the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and the quarterly report for the nine months ended 30 September 2023 (the “**2023 Q3 Report**”); (iii) the information and representations provided by the Directors and the management of the Company (the “**Management**”); and (iv) our review of the relevant announcements published by the Company and the relevant public information.

The sole director of the Offeror, Mr. Peng Ben, has declared in a responsibility statement set out in the Composite Document that he accepts full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Directors and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading. The Directors have also declared in a responsibility statement set out in the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information relating to the Group contained in the Composite Document (other than any information relating to the Offeror Concert Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Directors in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. We have also assumed that the information and the representations made by the Directors, the Management and the Offeror (where applicable) as contained or referred to in the Composite Document were true and accurate at the time they were made and continue to be so up to the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management or the Offeror (if applicable). We have also been advised by the Directors and believe that no material facts have been omitted from the Composite Document. The Company will notify the Independent Shareholders and the Optionholders of any material changes to information contained or referred to in the Composite Document as soon as possible in accordance with

Rule 9.1 of the Takeovers Code. The Independent Shareholders and the Optionholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. Information and financial performance of the Group

The Company is an investment holding company incorporated in Cayman Islands with limited liability. The principal activities of the Group is the operation of restaurants in Hong Kong. The Group provides fine dining, mid-market dining, specialty coffee and casual dining spanning cuisines including Chinese, Thai, European and South American under different brand restaurants, including Duddell's, Andō, Louise, MONO, Estro, 22 Ships, Mak Mak and Chachawan.

Set out below is a summary of the financial information of the Group for (i) each of the two financial years ended 31 December 2021 (“FY2021”) and 2022 (“FY2022”) as extracted from the 2022 Annual Report; and (ii) the nine months ended 30 September 2022 (“9M2022”) and 2023 (“9M2023”) as extracted from the 2023 Q3 Report:

	FY2021 (HK\$'000) (Audited)	FY2022 (HK\$'000) (Audited)	9M2022 (HK\$'000) (Unaudited)	9M2023 (HK\$'000) (Unaudited)
Revenue:				
– Fine dining	138,174	152,503	108,133	121,190
– Mid-market dining	28,210	21,236	14,869	13,625
– Specialty coffee	15,571	7,470	7,257	–
– Casual dining	39,389	35,796	24,102	71,207
Total Revenue	221,344	217,005	154,361	206,022
Other income (<i>note 1</i>)	4,622	14,422	13,450	1,702
Other gains and losses	250	2,163	(741)	(361)
Raw materials and consumables used	(61,950)	(60,672)	(43,824)	(55,279)
Staff costs	(87,104)	(91,866)	(67,353)	(77,343)
Depreciation	(33,212)	(34,250)	(26,290)	(19,953)
Property rentals and related expenses	(8,785)	(10,528)	(7,183)	(16,962)
Utility expenses	(5,651)	(6,037)	(4,374)	(5,939)
Advertising and promotion expenses	(9,238)	(8,705)	(6,432)	(7,423)
Other operating expenses	(28,511)	(30,703)	(22,693)	(21,790)
Operating (loss)/profit	(8,235)	(9,171)	(11,079)	2,674
<i>Operating (loss)/profit margin (%)</i>	<i>(3.7%)</i>	<i>(4.2%)</i>	<i>(7.2%)</i>	<i>1.3%</i>
(Loss)/Profit and total comprehensive expense for the year/period	(21,262)	(23,000)	(9,377)	233
<i>Net (loss)/profit margin (%)</i>	<i>(9.6%)</i>	<i>(10.6%)</i>	<i>(6.1%)</i>	<i>0.1%</i>

Note:

- 1) The Group recognised COVID-19 related government subsidies of approximately HK\$2.7 million, HK\$11.0 million and HK\$10.5 million for FY2021, FY2022 and 9M2022 respectively.

FY2022 vs FY2021

As disclosed in the 2022 Annual Report, the revenue of the Group for FY2022 decreased by approximately HK\$4.3 million to approximately HK\$217.0 million compared with FY2021. The deterioration in the Group's results was mainly attributable to the adverse impact to the Group's business arising from the outbreak of the COVID-19 pandemic as well as social distancing restrictions and measures effective in Hong Kong during the period, especially the fifth wave of the COVID-19 pandemic in Hong Kong emerging in late December 2021. Such restrictions and measures have contributed to a decrease in revenue from specialty coffee and casual dining catering services of approximately HK\$8.1 million and HK\$3.6 million, respectively, as the Group closed the restaurant "Bibi & Baba" in September 2022 and disposed in aggregate 81% of shares in Between Hong Kong Limited, a company principally engaged in the business of providing specialty coffee, during 2022. Between Hong Kong Limited was not the subsidiary of the Company as at 31 December 2022 and no revenue was derived from specialty coffee catering service since then. The revenue from mid-market dining also decreased by approximately HK\$7.0 million, due to "208 & Ramato" being under renovation from February to March 2022. On the other hand, the revenue from fine dining catering services increased by approximately HK\$14.3 million compared with FY2021, which was mainly due to the opening of "Agora" in April 2022 and the re-opening of "Duddell's Hong Kong Airport" in November 2022, respectively.

The Group recorded a loss of approximately HK\$23.0 million for FY2022, representing an increase in loss of approximately HK\$1.7 million as compared with a loss of approximately HK\$21.3 million for the FY2021. Such increase in loss was primarily attributable to:

(i) Consistent high contribution of cost for raw materials and consumables

Raw materials and consumables used remained high and stable at approximately 27%-28% of the Group's revenue for FY2021 and FY2022. Raw materials and consumables used by the Group include, but are not limited to, vegetables, meat, seafood and frozen food etc. that is one of the major components of the Group's operating expenses which amounted to approximately HK\$62.0 million and HK\$60.7 million for each of the FY2021 and FY2022, respectively.

(ii) Increase of staff costs

Staff costs represented one of the major components of the Group's operating expenses, representing approximately 39.4% and approximately 42.3% of the Group's revenue for FY2021 and FY2022 respectively, increased by approximately HK\$4.8 million from approximately HK\$87.1 million for FY2021 to approximately HK\$91.9 million for FY2022. Such increase was mainly due to the staff salaries and allowance associated with the opening of "Agora" in April 2022 and the re-opening of "Duddell's Hong Kong Airport" in November 2022, respectively.

(iii) Increase of property rentals and related expenses

Apart from raw materials and consumables used and staff costs, property rentals also represent one of the major components of the Group's operating expenses, representing approximately 4.0% and approximately 4.9% of the Group's revenue for FY2021 and FY2022 respectively. Property rentals and related expenses increased by approximately HK\$1.7 million from approximately HK\$8.8 million for FY2021 to approximately HK\$10.5 million for FY2022. The increase was mainly due to the opening of "Agora" in April 2022 and the re-opening of "Duddell's Hong Kong Airport" in November 2022, respectively.

9M2023 vs 9M2022

During 2022, Hong Kong's food and beverage industry encountered challenging business environment with the resurgence of the COVID-19 pandemic in Hong Kong, the rising inflation across the globe and the slowdown in the world economy, which caused the Group's restaurants to fail to operate as usual, resulting in a decrease in revenue and negatively affected the Group's profitability for 9M2022. As disclosed in the 2023 Q3 Report, the Group recorded a revenue of approximately HK\$206.0 million for 9M2023, representing an increase of approximately HK\$51.7 million or 33.5% as compared with 9M2022 which was a result of the termination of certain social distancing measures and immigration control policies at the end of 2022. Despite the loosening of travel restrictions, businesses over the summer were not optimistic. While there were not enough tourists in Hong Kong yet, the business of the Group's restaurants were affect and the Group has closed "Ramato" in August 2023 to cease consistent loss. The revenue of "Duddell's central" increased by approximately HK\$16.3 million and "Duddell's Hong Kong Airport", one of the restaurants of the Group located in the Hong Kong International Airport has resumed operations since late November 2022 and recorded revenue of approximately HK\$43.8 million during 9M2023 as many locals preferred to travel overseas during this time.

The Group recorded a minimal profit of approximately HK\$0.2 million for 9M2023, representing an increase in profit of approximately HK\$9.6 million as compared with a loss of approximately HK\$9.4 million for 9M2022. Such increase in profit was primarily attributable to increase in revenue as explained above and the re-opening of "Duddell's Hong Kong Airport" in November 2022 that contributed to the improvement of cost margin resulting from the reduction of contribution of cost for raw materials and consumables, which was partly offset by the increase of staff cost and property rentals and related expenses as explained below:

(i) Reduction of contribution of cost for raw materials and consumables

Raw materials and consumables used by the Group includes, but is not limited to, vegetable, meat, seafood and frozen food etc. is one of the major components of the Group's operating expenses which amounted to approximately HK\$43.8 million and approximately HK\$55.3 million for each of 9M2022 and 9M2023 respectively,

representing approximately 28.4% and approximately 26.8% of the Group's total revenue the corresponding periods respectively. Such decrease was mainly due to the cost margin of "Duddell's Hong Kong Airport" being maintained steadily at around 22.6% which is lower than the average compared to other outlets offering fine dining and mid-market dining.

(ii) Increase of staff costs

Staff costs represented one of the major components of the Group's operating expenses increased by approximately HK\$10.0 million from approximately HK\$67.4 million for 9M2022 to approximately HK\$77.3 million for 9M2023. The increase was mainly due to the relaxation of social distancing measures originally adopted for Covid-19 pandemic such as the lifting of the restriction on capacity for catering premises, bars/pubs and scheduled premises and lifting the headcount limit in banquet activities announced by the Hong Kong Government in December 2022, no unpaid leave in 2023, the staff costs related to the reopening of "Duddell's Hong Kong Airport" and staff salaries and allowance associated resumption of business. The staff costs were approximately 43.6% of the Group's revenue for 9M2022 and decreased to approximately 37.5% of the Group's revenue for 9M2023.

(iii) Increase of property rentals and related expenses related to the re-opening of "Duddell's Hong Kong Airport"

Apart from raw materials and consumable used and staff costs, property rentals also represent one of the major components of the Group's operating expenses, representing approximately 4.7% and approximately 8.2% of the Group's revenue for 9M2022 and 9M2023 respectively. Property rentals and related expenses increased by approximately HK\$9.8 million from approximately HK\$7.2 million for 9M2022 to approximately HK\$17.0 million for 9M2023. Such increase was mainly due to the payable turnover rent for re-opening "Duddell's Hong Kong Airport" in November 2022 as property rental expenses. Since the re-opening of "Duddell's Hong Kong Airport" in November 2022, "Duddell's Hong Kong Airport" has recorded revenue of approximately HK\$43.8 million and net profit of approximately HK\$8.8 million during 9M2023, therefore improving the net profit of the Group for 9M2023.

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2021, 31 December 2022 and 30 June 2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

	As at 31 December		As at
	2021	2022	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)
Non-current assets	97,114	69,937	62,265
– Property, plant and equipment	30,713	20,364	16,728
– Right-of-use assets	42,442	23,675	21,657
– Investments in associates	–	1,317	834
– Financial assets measured at fair value through profit or loss	3,167	3,147	3,147
– Deferred tax assets	1,858	2,327	2,327
– Deposits	13,934	14,107	12,572
– Pledged bank deposits	5,000	5,000	5,000
Current assets	38,912	28,620	30,609
– Inventories	5,726	6,283	6,890
– Trade and other receivables, deposits and prepayment	13,524	9,656	11,723
– Financial assets measured at fair value through profit and loss	–	1,783	1,783
– Amount due from related companies	768	747	853
– Amount due from a controlling shareholder	608	–	–
– Amount due from an associate	747	531	406
– Tax recoverable	114	279	279
– Pledged bank deposits	4,500	–	–
– Bank balances and cash	12,925	9,341	8,675
Total assets	136,026	98,557	92,874
Non-current liabilities	38,999	22,060	19,534
– Provision	4,450	2,357	2,754
– Deferred tax liabilities	51	505	505
– Contract liabilities	10,267	9,082	8,603
– Lease liabilities	24,231	10,116	7,672
Current liabilities	77,275	79,361	72,516
– Trade and other payables and accrued charges	31,879	33,883	32,170
– Contract liabilities	6,127	4,962	4,872
– Amounts due to related companies	2,165	2,399	2,399

	As at 31 December		As at
	2021	2022	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)
– Amount due to a controlling shareholder	–	939	1,356
– Amounts due to an associate	–	94	208
– Bank borrowings	11,184	8,191	6,176
– Tax payable	370	648	782
– Lease liabilities	25,550	26,126	22,831
– Provision	–	2,119	1,722
Total liabilities	116,274	101,421	92,050
Net current (liabilities)	(38,363)	(50,741)	(41,907)
Total (deficit)/equity	19,752	(2,864)	824

The Group's non-current assets mainly comprised (i) property, plant and equipment; (ii) right-of-use assets; and (iii) deposits. The Group's property, plant and equipment decreased from approximately HK\$30.7 million as at 31 December 2021 to approximately HK\$20.4 million as at 31 December 2022 and further decrease to approximately HK\$16.7 million as at 30 June 2023. The Group's right-of-use assets decreased from approximately HK\$42.4 million as at 31 December 2021 to approximately HK\$23.7 million as at 31 December 2022 and further decrease to approximately HK\$21.7 million as at 30 June 2023. Furthermore, the Group's deposit remained stable at approximately HK\$13.9 million as at 31 December 2021 and approximately HK\$14.1 million as at 31 December 2022 and decreased to approximately HK\$12.6 million as at 30 June 2023. The Management explained that (i) the continuous decrease in property, plant and equipment was mainly related to impairment loss of approximately HK\$5.3 million for FY2022 and normal depreciation; (ii) the continuous decrease in right-of-use assets was mainly related to impairment loss of approximately HK\$3.5 million for FY2022 and normal depreciation; and (iii) the decrease of deposits as at 30 June 2023 was mainly related to the reclassification of rental deposit to current asset due to the expiry of tenancy agreement within 12 months.

The Group's current assets mainly comprised (i) inventories; (ii) trade and other receivables, deposits and prepayments; and (iii) bank balances and cash. The Group's inventories increased from approximately HK\$5.7 million as at 31 December 2021 to approximately HK\$6.3 million as at 31 December 2022 and further increased to approximately HK\$6.9 million as at 30 June 2023. The Group's trade and other receivables, deposits and prepayments decreased from approximately HK\$13.5 million as at 31 December 2021 to approximately HK\$9.7 million as at 31 December 2022 and increased to approximately HK\$11.7 million as at 30 June 2023. Furthermore, the Group's bank balances and cash decreased from approximately HK\$12.9 million as at 31 December 2021 to approximately HK\$9.3 million as at 31 December 2022 and further decreased to approximately HK\$8.7 million as at 30 June 2023. The Management explained that (i) the continuous increase in

inventories, which mainly comprise of raw materials and consumables used by the Group including, but are not limited to, vegetables, meat, seafood and frozen food etc., was in line with the Group's business operation; (ii) the fluctuation of trade and other receivables, deposits and prepayments was related to the closure of the restaurant "Bibi & Baba" and disposed of shares in Between Hong Kong Limited during FY2022 and the reclassification of certain rental deposit from non-current asset during six months ended 30 June 2023 ("6M2023"); and (iii) the continuous decrease in bank balances and cash was mainly related to the consistent loss for the Group for FY2021 and FY2022.

The Group's current liabilities mainly comprised (i) trade and other payables and accrued charges; and (ii) lease liabilities. The Group's trade and other payables and accrued charges increased from approximately HK\$31.9 million as at 31 December 2021 to approximately HK\$33.9 million as at 31 December 2022 and decreased to approximately HK\$32.2 million as at 30 June 2023. The Group's lease liabilities increased from approximately HK\$25.6 million as at 31 December 2021 to approximately HK\$26.1 million as at 31 December 2022 and decreased to approximately HK\$22.8 million as at 30 June 2023. The Management explained that the fluctuation of (i) trade and other payables and accrued charge; and (ii) lease liabilities were mainly related to the consistent loss for the Group for FY2021 and FY2022 and more payables and outstanding rental payment were starting to be settled as the business started to record net profit during 6M2023.

The Group's non-current liabilities mainly comprised lease liabilities, which has decreased from approximately HK\$24.2 million as at 31 December 2021 to approximately HK\$10.1 million as at 31 December 2022 and further decrease to approximately HK\$7.7 million as at 30 June 2023. As advised by the Management, the continuous decrease in lease liabilities was mainly related to expiry of tenancy since FY2022.

While the Group recorded net assets of approximately HK\$19.8 million as at 31 December 2021, the Group turned into net liabilities position of approximately HK\$2.9 million as at 31 December 2022. As advised by the Management, such change to net liabilities position was mainly attributable to (i) the decrease in property, plant and equipment resulting from impairment loss of approximately HK\$5.3 million for FY2022; (ii) the decrease in right-of-use assets resulting from impairment loss of approximately HK\$3.5 million for FY2022; and (iii) the decrease in pledged bank deposits from approximately HK\$9.5 million as at 31 December 2021 to approximately HK\$5.0 million as at 31 December 2022. The financial position of the Group improved as the Group turnaround from net liabilities of approximately HK\$2.9 million as at 31 December 2022 to net assets of approximately HK\$0.8 million as at 30 June 2023. The Management explained that the financial position of the Group improved as the Group's (i) trade receivables from restaurant operations increased from approximately HK\$1.8 million as at 31 December 2022 to approximately HK\$2.1 million as at 30 June 2023; and (ii) bank borrowings decreased from approximately HK\$8.2 million as at 31 December 2022 to approximately HK\$6.2 million as at 30 June 2023.

Overall comments

With reference to the section headed “Five Years Financial Summary” in the 2022 Annual Report, it is noted that the Group’s revenue was over HK\$210 million for each of the year ended 31 December 2018 and 2019 prior to the Covid-19 pandemic. The Covid-19 pandemic has severely affected the operating environment of food and beverage businesses resulting the Group’s revenue dropped to approximately HK\$173 million for the year ended 31 December 2020. Subsequently, the Group’s revenue has rebounded to over HK\$210 million for the year ended 31 December 2022. Moreover, the Group has been loss-making for five consecutive financial years since 2018 and recorded loss amounted to approximately HK\$16.4 million, HK\$32.0 million, HK\$19.1 million, HK\$21.3 million and HK\$23.0 million for the years ended 31 December 2018, 2019, 2020, 2021 and 2022, respectively.

The COVID-19 pandemic and the related measures imposed by government in Hong Kong to contain the spreading of COVID-19 pandemic had resulted in operating hours restriction and temporary closure of the restaurants during FY2022. These had negatively impacted the results of the Group during the reporting period and its liquidity position. During FY2022, the Group was still suffered from various restrictions imposed by the Hong Kong Government to contain the spread of COVID-19 pandemic and a net loss of approximately HK\$23.0 million was incurred. As at 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$50.7 million and the net liabilities was approximately HK\$2.9 million. The 2022 Annual Report also mentioned that the Group has breached the covenants of borrowings amounted to approximately HK\$8.2 million as at 31 December 2022 and the lenders had the right to declare the outstanding principal amount, accrued interest and all other sums payable under the loan immediately due and payable. As stated in the 2022 Annual Report, the above events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In light of the doubt on the Group’s ability to continue as a going concern, the Management confirms that the Group has taken measures to tighten cost controls over staff costs by closing a mid-market dining restaurant, Ramato (formerly known as “208 Duecento Otto”), in August 2023 aiming at improving the working capital and cash flow position of the Group. Such measures have resulted the Group to record profit of approximately HK\$0.2 million for 9M2023 and the net assets of approximately HK\$0.8 million as at 30 June 2023. The Group has further closed a fine dining restaurant, Agora, in October 2023 to strengthen the working capital and cash flow position of the Group. We also understand from the Management that the Group has been communicating with the bank to resolve the breach of the bank covenants since the preparation of the annual report for the year ended 31 December 2020 in order to maintain the existing banking loan facilities obtained from a bank in Hong Kong during the financial year ended 31 December 2020. As at the Latest Practicable Date, the Management confirmed that no lender has made any demand to the Group for immediate loan repayment.

Although there has been relaxation of social distancing measures in Hong Kong, the situation in which the Group operates is still precarious as the catering industry in Hong Kong is generally negative for 9M2023 as discussed in the section headed “2. Future Plan and Prospects” below, causing the Group initially recorded a net profit of approximately HK\$3.7 million for 6M2023 and then turnaround recorded a net loss of approximately HK\$3.5 million for the three months ended 30 September 2023, eroding the Group’s profit recorded for 6M2023 and resulting the Group only recorded minimal profit of approximately HK\$0.2 million for 9M2023. As at 30 June 2023, the Group’s current liabilities continue exceeded its current assets by approximately HK\$41.9 million and the net assets was approximately HK\$0.8 million as compared to net liabilities of approximately HK\$2.9 million as at 31 December 2022.

2. Future Plan and Prospects

The Group is principally engaged in the operation of restaurants in Hong Kong. As stated in the 2022 Annual Report and the 2023 Q3 Report, the Group’s revenue is solely derived from the operation and management of restaurants in Hong Kong.

The Census and Statistics Department has periodically published restaurant receipts statistics of restaurants in Hong Kong. As at the Latest Practicable Date, the Census and Statistics Department has released the latest statistics on the restaurant receipts by type of restaurant up to September 2023 on 20 December 2023. The table below sets out the annual restaurant receipts by type of restaurant from 2020 to 2022 and monthly restaurant receipts by type of restaurant from January 2023 to September 2023:

Restaurant receipts by type of restaurant (HK\$ million)

Period	Chinese restaurants	Non-Chinese restaurants	Fast food shops	Miscellaneous eating and drinking places	Bars	All restaurants
Year 2020	28,971	24,556	18,427	6,549	834	79,337
Year 2021	34,293	30,214	19,989	7,360	833	92,690
Year 2022	30,853	28,333	19,621	7,268	758	86,833
January 2023	3,684	3,162	1,964	679	106	9,597
February 2023	3,060	3,028	1,764	652	106	8,610
March 2023	3,226	3,333	1,951	731	120	9,361
April 2023	3,490	2,856	1,883	712	124	9,066
May 2023	3,518	2,852	2,042	755	117	9,284
June 2023	3,437	2,819	1,947	755	122	9,080
July 2023	3,540	2,914	1,947	774	76	9,251
August 2023	3,539	2,893	1,948	776	78	9,234
September 2023 ^(Note 1)	3,340	2,572	1,913	708	77	8,610

Note:

1. The Census and Statistics Department has released the latest statistics on the restaurant receipts by type of restaurant up to September 2023 on 20 December 2023.

Source: Census and Statistics Department

As illustrated from the above data obtained from the Census and Statistics Department, the receipts for all restaurants in Hong Kong recorded a year-on-year change of approximately 16.8% increase and approximately 6.3% decrease in 2021 and 2022, respectively. The receipts for Chinese restaurants in Hong Kong recorded a year-on-year change of approximately 18.4% increase and approximately 10.0% decrease in 2021 and 2022, respectively. The receipts for non-Chinese restaurants in Hong Kong recorded a year-on-year change of approximately 23.0% increase and approximately 6.2% decrease in 2021 and 2022, respectively.

Based on the latest statistics available from the Census and Statistics Department on the restaurant receipts by type of restaurant analysed by month up to September 2023, the monthly receipts for all restaurants, Chinese restaurants and non-Chinese restaurant in Hong Kong for each of the nine months from January 2023 to September 2023 has improved as compared to the respective months in 2022. The monthly receipts for all restaurants in Hong Kong recorded a year-on-year change ranged from approximately 10.2% increase in September 2023 to approximately 136.8% increase in March 2023 during first nine months of 2023 as compared to the respective months in 2022. The monthly receipts for Chinese restaurants in Hong Kong recorded a year-on-year change ranged from approximately 16.8% increase in September 2023 to approximately 238.3% increase in March 2023 during first nine months of 2023 as compared to the respective months in 2022. The monthly receipts for non-Chinese restaurants in Hong Kong recorded a year-on-year change ranged from approximately 1.7% increase in September 2023 to approximately 136.3% increase in March 2023 during first nine months of 2023 as compared to the respective months in 2022. Moreover, the latest available statistics released by the Census and Statistics Department on the restaurant receipts by type of restaurant analyzed by month has captured the performance of restaurants in Hong Kong after the relaxation of social distancing measures originally adopted for Covid-19 pandemic such as the lifting of the restriction on capacity for catering premises, bars/pubs and scheduled premises and lifting the headcount limit in banquet activities announced by the Hong Kong Government in December 2022 and such statistics showed that the receipts for all restaurants, Chinese restaurants and non-Chinese restaurant in Hong Kong are on a decreasing trend from January 2023 to September 2023. The monthly receipts for all restaurants in Hong Kong decreased from approximately HK\$9,597 million for January 2023 to approximately HK\$8,610 million for September 2023, representing a decrease of approximately 10.3%. The monthly receipts for Chinese restaurants in Hong Kong decreased from approximately HK\$3,684 million for January 2023 to approximately HK\$3,340 million for September 2023, representing a decrease of approximately 9.3%. The monthly receipts for non-Chinese restaurants in Hong Kong also decreased from approximately HK\$3,162 million for January 2023 to approximately HK\$2,572 million for September 2023, representing a decrease of approximately 18.7%.

Furthermore, the reopening of mainland China's borders, the removal of mainland China's mandatory health declaration (i.e. the black code) and the strengthening of Hong Kong dollar against Renminbi since the beginning of 2022 have facilitated cross-border mobility for Hong Kong residents travelling north to mainland China for weekend getaways or holiday trips. Although the Hong Kong government has launched the "Night Vibes Hong Kong" campaign on 14 September 2023, statistics from the Hong Kong Immigration Department indicated that there were over 630,000 Hong Kong residents travelled to Shenzhen via the land control points, namely Express Rail Link West Kowloon, Hung Hom, Lo Wu, Lok Ma Chau

Spur Line, Heung Yuen Wai, Lok Ma Chau, Man Kam To, Sha Tau Kok and Shenzhen Bay (the “**Land Control Points**”), during the first weekend after the launched of the campaign (i.e. from Friday, 15 September 2023 to Sunday, 17 September 2023), which is far outweighed the number of Mainland visitors of over 260,000 coming to Hong Kong from all control points during the same period. Statistics from the Hong Kong Immigration Department continues to show over 840,000 Hong Kong residents travelled to Shenzhen via the Land Control Points during the long weekend holiday of the Mid-Autumn Festival and the National Day holiday (i.e. Friday, 29 September 2023 to Monday, 2 October 2023) (the “**National Day Long Weekend**”) and over 1,080,000 Hong Kong residents travelled to Shenzhen via the Land Control Points during the long weekend holiday of the Chung Yeung Festival (i.e. Friday, 20 October 2023 to Monday, 23 October 2023) (the “**Chung Yeung Festival Long Weekend**”), which also far outweighed the number of Mainland visitors of over 600,000 coming to Hong Kong from all control points during the National Day Long Weekend and the number of Mainland visitors of over 320,000 coming to Hong Kong from all control points during the Chung Yeung Festival Long Weekend.

As mentioned in the paragraph headed “Information and financial performance of the Group” of this letter, as a result of the Covid-19 pandemic, the Group’s financial performance has been negatively affected in the recent financial years. Although the Group’s has recorded profit for 9M2023 with turnaround from loss making for FY2022 in absent of the Covid-19 related subsidies from the Government in 2023, we consider the Group’s financial performance is still unstable as the Group has initially recorded a net profit of approximately HK\$3.7 million for 6M2023 and then turnaround recorded a net loss of approximately HK\$3.5 million for the three months ended 30 September 2023, eroding the Group’s profit recorded for 6M2023 and resulting the Group recorded a minimal profit of approximately HK\$0.2 million for 9M2023. Moreover, despite the continued recovery of the travel industry and the reopening of the mainland China’s borders, recent statistics showed that the receipts for restaurant operators in Hong Kong is on a decreasing trend during the first nine months of 2023 and the Group has only recorded minimal profit for the same period.

In order to improve the overall performance of the consumption and catering industry, many companies in Hong Kong, including MTR Corporation Limited, are actively supporting the Hong Kong government’s “Night Vibes Hong Kong” initiative by offering various incentives to attract Hong Kong residents to consume and dine out in the evening since September 2023. However, there is no statistics on the impact of “Night Vibes Hong Kong” campaign on the catering industry as the Census and Statistics Department has only released statistics on the restaurant receipts by type of restaurant analysed by month up to September 2023 as at the Latest Practicable Date. Despite that, a news article published by Hong Kong Economic Times on 1 November 2023¹, being approximately one month after the launch of the “Night Vibes Hong Kong” campaign, has reported that a restaurant industry survey conducted by an online food delivery platform, Deliveroo, indicated that over 90% of the restaurants surveyed have no plans to extend their business and adopted a wait and see attitude to observe the impact of “Night Vibes Hong Kong” campaign offered by the government to attract Hong Kong residents to consume and dine out in the evening. It should be noted that the result of the

¹ <https://dynamic.hket.com/article/ZJTovEjKpxnDf1Yz5?r=cpsdlc>

survey was only based on the responses from the restaurants being surveyed and the sample size may not represent the consensus view of the market participants but, nevertheless, would provide a general overview of responses of the restaurants being surveyed on the initial impact of “Night Vibes Hong Kong” campaign as the news article did not disclose the sample size of the restaurants surveyed. Having taken into account of the recent decreasing trend of the receipts for restaurants in Hong Kong during the first nine months of 2023 after the relaxation of social distancing measures originally adopted for Covid-19 pandemic and the growing trend of Hong Kong residents travel northbound for shopping and dining in Shenzhen, we consider the catering industry and the business of the Group would remain negative.

3. Information on the Offeror

The Offeror is a company incorporated in Hong Kong. It is held as to 51% by Mr. Peng Ben, 49% by Mr. Zhao Hong. The principal activity of the Offeror is investment holding, which is established on 6 July 2023 solely for the purpose of holding the Company.

Mr. Peng Ben, aged 34, is the sole director of the Offeror. He served as the general manager of Sino-Market Technology Group Co., Ltd. (中市技術集團有限公司), a company primarily engaged in engineering, consultancy and project management, from August 2015 to December 2017. In 2020, he founded Hunan Xiangdu Nongchuang Agricultural Technology Co., Ltd.* (湖南湘都農創農業科技有限公司), a company primarily engaged in the business of agricultural technology development and consultancy services, where he also served as the executive director from March 2020 to July 2022. In October 2022, Mr. Peng Ben completed the EMBA Distinct Director Advanced Course* (清大EMBA工商管理卓越總裁高級研修項目) offered by the BeiQing Institute of Economics and Management* (北清經管高等研究院). In April 2023, he founded Changsha Yunshen Technology Co., Ltd.* (長沙雲樂科技有限責任公司), a company primarily engaged in the provision of software and information technology services. Mr. Peng Ben is currently the general manager of Changsha Aojiaohuola Catering Services Co., Ltd.* (長沙傲椒火辣餐飲服務有限公司) and Changsha Tianxiangfu Catering Services Co., Ltd.* (長沙天湘府餐飲有限公司) which are both principally engaged in the catering business in the PRC.

Mr. Zhao Hong, aged 46, obtained a degree in hotel management from Hunan Agricultural University (湖南農業大學) in 1998. In 2004, he began to operate his own internet café chain in Hunan Province, the PRC, and over the course of 13 years, managed over 150 branches in his internet café chain. Between May 2013 and September 2017, Mr. Zhao Hong was the vice chairman of Hunan Province Internet Café Association* (湖南省網吧協會). Since August 2020, he has been serving as the general manager of the Changsha branch company of China Aerospace Changsha Cheyida New Energy Technology Co., Ltd.* (中國航天長沙車億達新能源科技有限公司), a company primarily engaged in the development of new energy vehicles, where he was responsible for the overall management and operations of the company. He is currently the deputy general manager of Changsha Aojiaohuola Catering Services Co., Ltd.* (長沙傲椒火辣餐飲服務有限公司) which is principally engaged in the catering business in the PRC.

4. Intentions of the Offeror in relation to the Group

As disclosed in the “Letter from BOCOM Securities”, as at the Latest Practicable Date, it is the intention of the Offeror that the Group will continue to operate its business in substantially its current state and focus on the development of its existing catering related businesses.

Upon close of the Offers, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating a sustainable business plan or strategy for the Group’s long-term development and will explore other business opportunities for the Group. Subject to the results of the aforesaid review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror had any intention or entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group or downsizing or change the scale the Group’s existing business, and the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

Proposed change of Company Name

As disclosed in the “Letter from BOCOM Securities”, the Board proposes to change the English name of the Company from “Jia Group Holdings Limited” to “XinXiang Era Group Company Limited” and the Chinese name of the Company from “佳民集團有限公司” to “新享時代集團有限公司”. The Proposed Change of Company Name will not affect any of the rights of the Shareholders. Once the Proposed Change of Company Name becomes effective, any issue of share certificates of the Company thereafter will be in the new name of the Company and the Shares will be traded on the Stock Exchange under the new name of the Company. All existing share certificates of the Company in issue bearing the present name of the Company shall, after the Proposed Change of Company Name having become effective, continue to be evidence of title to such Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new certificates bearing the new name of the Company.

As immediately after the Completion, the Offeror became the Controlling Shareholder of the Company and to better reflect the relationship between the Offeror and the Company, the Board considers that the Proposed Change of Company Name would provide a clear identification to the market and general public.

Proposed change of Board composition of the Company

As at the Latest Practicable Date, the Board was made up of five Directors, comprising two executive Directors, namely Miss Wong Pui Yain and Ms. Wan Suet Yee Cherry and three independent non-executive Directors, namely Mr. Leung Yuk Lun Ulric, Mr. Devin Nijanthan Chanmugam and Mr. Wee Keng Hiong Tony. As stated in the “Letter from BOCOM Securities”, it is intended that save for Ms. Wan Suet Yee Cherry, who is an existing executive Director, all other existing Directors (including independent non-executive Directors) will resign from the earliest time permitted under the Takeovers Code.

As mentioned in the “Letter from BOCOM Securities”, as at the Latest Practicable Date, the Offeror has nominated (i) Mr. Kong Linglei as the new executive Director of the Board, (ii) Mr. Peng Ben and Mr. Liu Enyu as the new non-executive Directors of the Board, (iii) Ms. Deng Yongling, Ms. Mao Xiaobi and Ms. Ma Lina as the new independent non-executive Directors of the Board. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules.

For the biographies of the new Directors, please refer to the section headed “Proposed change of the Board composition of the Company” in the “Letter from BOCOM Securities” in the Composite Document.

Given (i) the new Directors possess commercial experiences in the food and beverage and catering industry ranging from manufacturing of wine, beverage and tea, production of food related media marketing programs, brand management of catering management company and operation of restaurants; and (ii) the new Directors share diverse background, including education and qualification in the area of business management, risk management, corporate compliance management and accounting, we consider the proposed change to the members of the Board will benefit the operation of the Group as the new Directors possess the relevant experience in the catering industry and education background in formulating a sustainable business plan or strategy for the Group’s long-term development after the Offeror’s detailed review of the business operations and financial position of the Group upon the close of the Offers.

5. Public Float and Maintaining the Listing Status of the Company

As stated in the “Letter from BOCOM Securities”, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers. Pursuant to the GEM Listing Rules, if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

6. Compulsory Acquisition

As stated in the “Letter from BOCOM Securities”, the Offeror does not intend to exercise any power of compulsory acquisition of any outstanding Offer Shares not acquired under the Offer after the close of the Offers.

7. Terms of the Offers

The Share Offer

As stated in the Letter from the Board, BOCOM Securities, on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code on the following basis:

For each Share HK\$0.0776 in cash

The Share Offer Price of HK\$0.0776 per Offer Share under the Share Offer is equivalent to the acquisition price per Sale Share payable by the Offeror under the Share Purchase Agreement. The Share Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

The Offer Shares to be acquired shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the Despatch Date.

The Share Offer is unconditional in all aspects and is not subject to any minimum level of acceptances received or any other conditions.

The Option Offer

As stated in the Letter from the Board, BOCOM Securities, for and on behalf of the Offeror, is making the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash on the following basis:

For cancellation of each Share Option with an exercise price of:

HK\$0.10 (6,050,000 Share Options in total) HK\$0.0001 in cash

In compliance with Rule 13 of the Takeovers Code, the Option Offer Price for cancellation of the outstanding Share Options represents the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option (excluding the Surrendered Options) they hold for the cancellation of every Share Option. As the outstanding Share Options has exercise price of HK\$0.10, which is above the Share Offer Price of HK\$0.0776, such “see-through” price are both negative. Therefore, the Option Offer Price for cancellation of each of the Share Options is a nominal amount of HK\$0.0001.

The Option Offer is unconditional in all aspects and is not subject to any minimum level of acceptances received or any other conditions. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

Analysis of the Share Offer Price

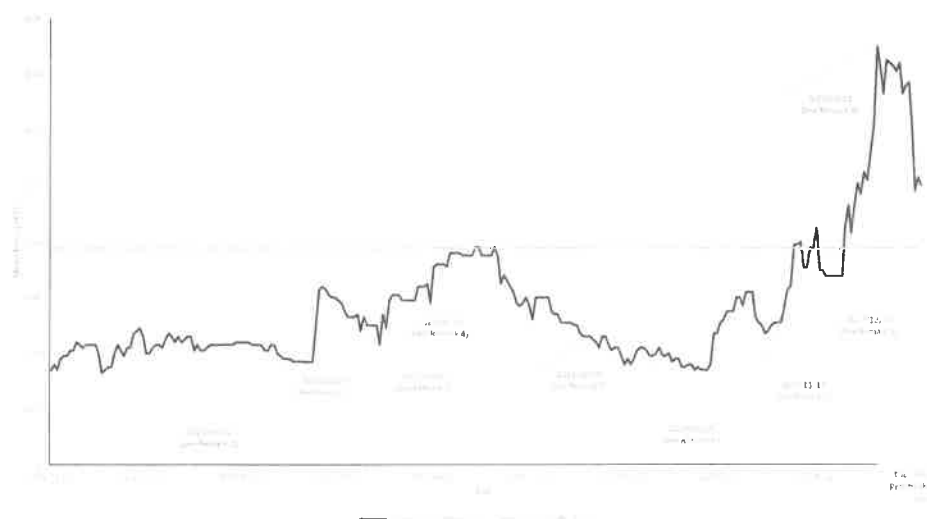
The Share Offer Price of HK\$0.0776 per Offer Share represents:

- (i) a discount of approximately 22.4% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 14.1% to the closing price of HK\$0.0680 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 12.8% to the average closing price of approximately HK\$0.0688 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 6.7% to the average closing price of approximately HK\$0.0727 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 22.2% to the average closing price of approximately HK\$0.0635 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 54.6% over the average closing price of approximately HK\$0.0502 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 3,235.8% over the audited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.0023263 per Share as at 31 December 2022, based on a total of 1,159,780,000 Shares in issue as at the Latest Practicable Date and the audited consolidated net assets value attributable to owners of the Company of approximately HK\$2.7 million as at 31 December 2022; and
- (viii) a premium of approximately 1,180.6% over the unaudited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.0060598 per Share as at 30 June 2023, based on a total of 1,159,780,000 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$7.0 million as at 30 June 2023.

Historical Share price performance

Set out below is a chart showing the movement of the closing prices of the Shares during the period from December 2022 and up to the Latest Practicable Date (the “**Review Period**”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares. We consider that the duration of the Review Period of approximately one year period prior to the Last Trading Day commencing from 1 December 2022 would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares as it captures the performance of the Company after the relaxation of social distancing measures originally adopted for Covid-19 pandemic such as the lifting of the restriction on capacity for catering premises, bars/pubs and scheduled premises and lifting the headcount limit in banquet activities announced by the Hong Kong Government in December 2022.

Historical Share Price Performance of the Company during the Review Period



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

Remarks:

- (1) On 2 February 2023, the Company issued voluntary announcement in relation to the business update of the resumed operation of Duddell's Hong Kong Airport, one of the restaurants of the Group under its flagship “Duddell's” brand that is located in the Hong Kong International Airport and which has been closed since December 2020 (the “**Voluntary Announcement**”).
- (2) On 23 March 2023, the Company issued the annual results announcement for the year ended 31 December 2022 (the “**FY2022 Annual Results Announcement**”).
- (3) On 2 May 2023, the Company issued a positive profit alert announcement based on a preliminary review of the unaudited consolidated management accounts of the Group for the three months ended 31 March 2023 (the “**2023Q1 Positive Profit Alert Announcement**”).
- (4) On 15 May 2023, the Company issued the first quarterly results announcement for the three months ended 31 March 2023 (the “**2023Q1 Results Announcement**”).

- (5) On 14 August 2023, the Company issued the interim results announcement for the six months ended 30 June 2023 (the “**2023 Interim Results Announcement**”).
- (6) On 13 September 2023, the Company issued an announcement in relation to a disclosable transaction disclosing the Group has entered into a license agreement as licensee with PMQ Management Company Limited as licensor in respect of the license to use the premises located in PMQ for a term of 36 months commencing on 1 December 2023 and expiring on 30 November 2026 (both days inclusive) for the operation of the Group’s French restaurant under the trade name of “Louise” (the “**September Disclosable Transaction Announcement**”).
- (7) On 13 November 2023, the Company issued the third quarterly results announcement for the nine months ended 30 September 2023 (the “**2023Q3 Results Announcement**”).
- (8) Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 5 December 2023 pending the release of the Joint Announcement. The Company issued the Joint Announcement on 7 December 2023. Trading in the Shares on the Stock Exchange was resumed on 8 December 2023.
- (9) On 22 December 2023, the Company issued an announcement in relation to a disclosable transaction disclosing the Group has entered into a lease agreement as tenant with Hang Lung Real Estate Agency Limited as the landlord in respect of premises located at 1 Duddell Street, Central, Hong Kong for a term of one year and eight months commencing on 1 November 2023 and expiring on 30 June 2025 (both days inclusive) for the operation of the Group’s restaurant under the trade name of “Duddell’s” (the “**December Disclosable Transaction Announcement**”).

As shown in chart above, the closing price of the Shares during the Review Period ranges from the lowest closing price of HK\$0.0330 per Share recorded on 23 December 2022 to the highest closing price of HK\$0.1500 per Share recorded on 22 December 2023 with an average closing price per Share of approximately HK\$0.0573.

The closing price of the Shares fluctuated between HK\$0.0330 to HK\$0.0490 from the beginning of the Review Period to the publication of the FY2022 Annual Results Announcement on 23 March 2023. Subsequent to the publication of the FY2022 Annual Results Announcement, the closing price of the Shares increased to HK\$0.0640 on 12 April 2023 and subsequently decreased to HK\$0.0530 on the date of the publication of the 2023Q1 Positive Profit Alert Announcement on 2 May 2023. The closing price of the Shares further decreased to HK\$0.0430 on 9 May 2023 and subsequently increased to HK\$0.0610 on the date of the publication of the 2023Q1 Results Announcement on 15 May 2023. Since the publication of the 2023Q1 Results Announcement, the closing price of the Shares followed a general increasing trend and peaked at HK\$0.0780 at the end of June 2023. The closing price of the Shares then followed a general decreasing trend and decreased to HK\$0.0460 on the date of the publication of the 2023 Interim Results Announcement on 14 August 2023. Followed the publication of the 2023 Interim Results Announcement and the Disclosable Transaction Announcement, the closing price of the Shares continued to follow a general decreasing trend and bottomed at HK\$0.0340 at the beginning of October 2023 and subsequently followed a general increasing trend increased to HK\$0.0620 near the end of October 2023 but decreased to HK\$0.0570 on the date of the publication of the 2023Q3 Results Announcement on 13 November 2023. Subsequent to the publication of the 2023Q3 Results Announcement, the closing price of the Shares followed an upward trend with fluctuation between HK\$0.0630 to HK\$0.0850 and closed at HK\$0.0680 on the Last Trading Day.

After the publication of the Joint Announcement up to and including the Latest Practicable Date (the “**Post-Announcement Period**”), the lowest and highest closing price of the Shares ranges from the lowest closing price of approximately HK\$0.0830 per Share recorded on 12 December 2023 to the highest closing price of HK\$0.1500 per Share recorded on 22 December 2023. The Share Offer Price of HK\$0.0776 per Share represents (i) a discount of approximately 6.5% to the lowest closing price of HK\$0.0830 per Share during the Post-Announcement Period; and (ii) a discount of approximately 48.3% to the highest closing price of HK\$0.1500 per Share during the Post-Announcement Period. We consider that the aforesaid recent surge in the Share prices was likely linked to the market reaction to the Joint Announcement and the potential anticipation of the business plan or strategy for the Group’s long-term development to be formulated by the Offeror after the Offeror’s detailed review of the business operations and financial position of the Group upon the close of the Offers, which may or may not be a sustainable market reaction to the intention of the Offeror and the trading price of the Shares may or may not be higher than the Share Offer Price during and/or after the offer period (as defined under the Takeovers Code).

We have made enquiry with the Company with respect to the above fluctuations of the closing price of Shares during the Review Period, especially (i) the sharp increase in closing price of Shares after 4 April 2023, 9 October 2023, 15 November 2023 and 8 December 2023; and (ii) the sharp decrease in closing price of the Shares after 30 June 2023 and 30 October 2023. The Management confirmed that, saved for the publication of (i) the Voluntary Announcement on 2 February 2023; (ii) the FY2022 Annual Results announcement on 23 March 2023; (iii) the 2023Q1 Positive Profit Alert Announcement on 2 May 2023; (iv) the 2023Q1 Results Announcement on 15 May 2023; (v) the 2023 Interim Results Announcement on 14 August 2023; (vi) the September Disclosable Transaction Announcement on 13 September 2023; (vii) 2023Q3 Results Announcements on 13 November 2023; (viii) the announcement in relation to the trading halt of the Company dated 5 December 2023; (ix) the Joint Announcement dated 7 December 2023; and (x) the December Disclosable Transaction Announcement on 22 December 2023, the Management is not aware of any specific reasons which may have an impact of the fluctuations of Share prices during the Review Period.

Based on the above, we noted that (i) the Share Offer Price is higher than the historical closing price of the Shares during the majority of the Review Period; (ii) there are 237 days out of 271 days that the Share Offer Price is higher than the historical closing price of the Shares during the Review Period; (iii) the closing prices of the Shares had been staying above the Share Offer Price after the trading resumed from 8 December 2023; and (iv) the Share Offer Price represented a premium of approximately 35.4% over the average closing prices of the Shares during the Review Period, there is no guarantee on whether the trading price of the Shares could be sustained at a level higher than the Share Offer Price during and/or after the offer period (as defined under the Takeovers Code). Therefore, we consider that the Share Offer Price at HK\$0.0776 is fair and reasonable. However, Independent Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Share Offer.

Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Company during the offer period (as defined under the Takeovers Code) and consider selling their Shares in the open market during the offer period (as defined under the Takeovers Code), rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer. Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

Historical trading liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:

Month/period	Total trading volume of the Shares for the month/period	Number of trading days (Note 1)	Average daily trading volume	Total number of issued Shares at the end of the month/period (Note 2)	% of average daily trading volume to total number of Shares as at the end of the month/period	% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/period (Note 3)
2022						
December	12,940,000	20	647,000	1,159,780,000	0.056%	0.142%
2023						
January	10,250,000	17	602,941	1,159,780,000	0.052%	0.132%
February	3,270,000	21	155,714	1,159,780,000	0.013%	0.034%
March	750,000	23	32,609	1,159,780,000	0.003%	0.007%
April	5,920,000	17	348,235	1,159,780,000	0.030%	0.076%
May	840,000	21	40,000	1,159,780,000	0.003%	0.009%
June	1,380,000	21	65,714	1,159,780,000	0.006%	0.014%
July	6,520,000	20	326,000	1,159,780,000	0.028%	0.071%
August	3,250,000	23	141,304	1,159,780,000	0.012%	0.031%
September	6,710,000	19	353,158	1,159,780,000	0.030%	0.077%
October	15,480,000	20	774,000	1,159,780,000	0.067%	0.169%
November	5,830,000	22	265,000	1,159,780,000	0.023%	0.058%
December	100,892,500	16	6,305,781	1,159,780,000	0.544%	1.381%

Month/period	Total trading volume of the Shares for the month/period	Number of trading days (Note 1)	Average daily trading volume	Total number of issued Shares at the end of the month/period (Note 2)	% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/period (Note 3)	
					% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/period	% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/period
2024						
January (up to and including the Latest Practicable Date)	28,007,500	11	2,546,136	1,159,780,000	0.220%	0.557%
				Minimum:	0.003%	0.007%
				Maximum:	0.544%	1.381%
				Average:	0.078%	0.197%

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

Notes:

1. Number of trading days of the Shares represents number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day (if applicable).
2. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public Shareholders as calculated by deducting (i) 702,020,000 Shares held by the Controlling Stake Disposal Group and the Founding Shareholders and 1,000,000 Shares held by an independent non-executive Director (Mr. Wee Keng Hiong Tony) for the period prior to the Completion; or (ii) 702,020,000 Shares held by the Offeror and the parties acting in concert with it and 1,000,000 Shares held by an independent non-executive Director (Mr. Wee Keng Hiong Tony) for the period upon and after the Completion from the total number of the Shares in issue at the end of each month or period.

In order to determine whether the Share Offer Price would be attractive to the Independent Shareholders to participate in the Share Offer, we noted as shown in the table above the highest average daily volume was approximately 6,305,781 Shares in December 2023, representing approximately 0.544% and 1.381% of the total number of Shares and Shares held by public Shareholders respectively. The trading volume of the Shares was generally thin during the Review Period with all months less than 1.0% to the then total number of issued Shares as at the end of respective month/period or the number of shares held by public Shareholders except for December 2023. As the relatively high average trading volume only occurred in December 2023 and was in the Post-Announcement Period, it may not be representable on the trading liquidity over the Review Period. We consider that the exceptionally high trading volume of the Shares in December 2023 was likely to be related to the Offer and may or may not continue during and/or after the offer period (as defined under the Takeovers Code).

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. We consider that the Share Offer provide opportunities for the Independent Shareholders to realise all of their investments in the Company at a fixed price. It is noted that the closing price of the Shares as at the Latest Practicable Date of HK\$0.100 per Share exceeded the Share Offer Price, those Independent Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

Comparison with other comparable companies

In order to further assess the fairness and reasonableness of the Share Offer Price, we have considered the price-to-earnings ratio (“**PER**”), price-to-book ratio (“**PBR**”) and price-to-sales ratio (“**PSR**”) which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. PER is usually adopted for judging valuations for companies which are profit making. However, since the Group had been in poor financial performance which recorded net losses since year ended 31 December 2018 for five consecutive years. Therefore, the Group is not appropriate for PER comparison purpose.

On the other hand, PBR is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies, banks and money lenders whereas PSR is appropriate for valuing companies which have volatile earnings or loss but relatively stable source of revenue. Given that the Group has recorded audited consolidated net liabilities as at 31 December 2022 and turnaround recorded minimal unaudited consolidated net asset value of approximately HK\$0.8 million as at 30 June 2023, the adoption of PBR may produce a distorted result. We have also considered the net asset value attributable to the owners of the Company excluding the non-controlling interests. However, the adoption of PBR may still produce a distorted result and therefore not appropriate as the Letter from the Board illustrated that the Share Offer Price of HK\$0.0776 represents (i) a premium of approximately 3,235.8% over the audited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.0023263 per Share as at 31 December 2022; and (ii) approximately 1,180.6% over the unaudited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.0060598 per Share as at 30 June 2023. As disclosed in the 2022 Annual Report, the Group’s revenue is solely derived from the operation and management of restaurants in Hong Kong. Given the Group’s stable source of revenue, we consider PSR as compared with that using PER and PBR to be an appropriate indicator for comparison purpose.

Based on the Share Offer Price of HK\$0.0776 per Offer Share and the total number of issued Shares of 1,159,780,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$90.0 million (the “**Implied Market Capitalisation**”). The PSR of the Company implied by the Share Offer Price is (i) approximately 0.415 times (the “**Implied PSR**”) based on the audited consolidated revenue of the Company of approximately HK\$217.0 million for FY2022; and (ii) approximately 0.335 times (the “**Implied T12M PSR**”) based on the unaudited consolidated revenue of the Company of approximately HK\$268.7 million for the trailing 12 months as derived from the 2022 Annual report and the 2023 Q3 Report.

In evaluating the fairness and reasonableness of the Share Offer Price, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of two peer listed companies on GEM operated by the Stock Exchange (the “**Peer Comparable Companies**”) with substantial and stable source of revenue derived from the operation and management of restaurants in Hong Kong which (i) over 90% of the revenue for the latest full financial year was generated from the operation of restaurants; (ii) over 90% of the revenue for the latest full financial year was derived in Hong Kong; (iii) operate restaurants serving both Western and Asian cuisines similar to the cuisines served by the restaurants of the Group; and (iv) the Peer Comparable Companies with market capitalisation of below HK\$200 million which is considered as of similar size as compared with (i) the Company’s market capitalisation of approximately HK\$78.9 million as at the Last Trading Date; (ii) the Implied Market Capitalisation of approximately HK\$90.0 million; and (iii) the Company’s market capitalisation of approximately HK\$116.0 million as at the Latest Practicable Date.

We have set the selection criteria to include peer listed companies that operate restaurants serving both Western and Asian cuisines similar to the cuisines served by the restaurants of the Group as we consider peer listed companies that operate restaurants serving single food item type or single line of cuisine would have different clientele and operations not comparable to the Group. We have also set the selection criterion to include peer listed companies with over 90% of the revenue for the latest full financial year was generated from the operation of restaurants as we consider (i) such peer listed companies would possess substantial and stable source of revenue derived from the operation and management of restaurants similar and comparable to the operation and revenue model of the Group that is appropriate for conducting PSR comparison purpose; and (ii) peer listed companies with revenue derived from businesses other than operation and management of restaurants would have valuation, business environment and outlook not comparable to the Group. Although the number of the Peer Comparable Companies was limited, considering that the food catering services business of the Company with revenue solely derived from the operation and management of restaurants in Hong Kong is affected directly by consumer dining habits and preferences as well as the restaurant industry in Hong Kong as a whole, we are of the view that the business performances of the peer listed companies engaged in the same industry with substantial and stable source of revenue generated from the operation of restaurants in Hong Kong serving both Western and Asian cuisines are comparable with that of the Company and, in our opinion, constitute the closest proxies to the Company and are therefore fair, meaningful and representative samples

to serve as a general reference to the valuation of the Group's business. As a result, we consider that the Peer Comparable Companies provide a relevant analysis for the Independent Shareholders based on the above.

The table below illustrates the PSRs and the trailing 12 months PSRs ("T12M PSR") of the Peer Comparable Companies based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company name (Stock Code)	Principal activities	% of revenue generated from operation of restaurants for the latest full financial year	Market capitalisation as at the Latest Practicable Date (HK\$' million)	Total revenue for the latest full financial year (HK\$' million)	PSR (Note 1) (times)	Trailing 12 months revenue (HK\$' million)	T12M PSR (Note 2) (times)
1957 & Co. (Hospitality) Limited (8495.HK)	include operation of full-service restaurants serving Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines	99.5%	83.7	352.9	0.237	450.7	0.186
MS Concept Limited (8447.HK)	include operation of restaurants serving various Western, Japanese and Taiwanese cuisines	100%	41.0	250.4	0.164	243.8	0.168
Average and Median:					0.200		0.177
High:					0.237		0.186
Low:					0.164		0.168

Company Name (Stock Code)	Principal activities	% of revenue generated from operation of restaurants for the latest full financial year	Implied Market Capitalisation (Note 3) (HK\$' million)	Total revenue for the latest full financial year (HK\$' million)	Implied PSR (Note 4) (times)	Trailing 12 months revenue (HK\$' million)	Implied T12M PSR (Note 5) (times)
The Company (8519.HK)	Include operation of restaurants serving Chinese, Thai, Italian, French and Spanish cuisines	100%	90.0	217.0	0.415	268.7	0.335

Source: the website of the Stock Exchange (www.hkex.com.hk) and the latest published annual reports, interim reports and quarterly reports of the respective Peer Comparable Companies

Notes:

1. The PSRs of the Peer Comparable Companies are calculated by dividing their respective market capitalization as at the Latest Practicable Date by their respective revenue for the financial year as extracted from their respective latest published annual reports as at the Latest Practicable Date.
2. The T12M PSRs of the Peer Comparable Companies are calculated by dividing their respective market capitalization as at the Latest Practicable Date by their respective revenue for the trailing 12 months as extracted from their respective latest published annual reports, interim reports and quarterly reports as at the Latest Practicable Date.
3. The Implied Market Capitalisation is calculated based on the Share Offer Price and the total number of issued Shares of 1,159,780,000 as at the Latest Practicable Date.
4. The Implied PSR is calculated based on the Implied Market Capitalisation divided by the total revenue of the Company for the financial year as extracted from the 2022 Annual Report.
5. The Implied T12M PSR is calculated based on the Implied Market Capitalisation divided by the total revenue of the Company for the trailing 12 months as extracted from the 2022 Annual Report and the 2023 Q3 Report.

We noted from the above table that (i) the Implied PSR of approximately 0.415 times is higher than the PSRs of the Peer Comparable Companies; and (ii) the Implied T12M PSR of approximately 0.335 times is higher than the T12M PSRs of the Peer Comparable Companies. Accordingly, we are of the view that the Share Offer Price is fair and reasonable so far as the Offer Shareholders are concerned.

Analysis of the Option Offer Price

With reference to the Letter from the Board, save for the 6,050,000 outstanding Share Options, as at the Latest Practicable Date, the Company has no outstanding convertible securities, warrants, options or derivatives in issue (as defined in Note 4 to Rule 22 of the Takeovers Code) which may confer any rights to subscribe for, convert or exchange into Shares.

Given that the exercise price of the outstanding Share Options (being HK\$0.10 per Option) are higher than the Share Offer Price of HK\$0.0776, and are therefore out-of-the-money, the Option Offer Price for the cancellation of each Share Option is a nominal cash amount of HK\$0.0001. We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Offer Option is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the fact that the Group had been loss-making for recorded net losses since year ended 31 December 2018 for five consecutive years. Notwithstanding the financial performance of the Company demonstrated an improvement for 9M2023, as stated in sub-section headed “2. Future Plan and Prospects” above, we considered that the catering industry and the business of the Group would remain negative;
- (ii) the Share Offer Price of HK\$0.0776 is at a price level higher than the daily closing prices of the Shares for 237 out of 271 trading days as quoted on the Stock Exchange during the Review Period. Although the Share Offer Price represented a discount of approximately 22.4% to the closing price of the Shares as at the Latest Practicable Date of HK\$0.100 per Share, there is no guarantee on whether the trading price of the Shares could be sustained at a level higher than the Share Offer Price during and/or after the Offer Period resulting the Independent Shareholders (regardless to their amount of shareholdings) may not be able to realise their investments in the Shares at a price higher than the Share Offer Price when they are going to dispose of their partial or entire holdings;
- (iii) given the low liquidity of the Shares, the Share Offer provide opportunities for the Independent Shareholders including those with significant shareholding interest to realise all of their investments in the Company at a fixed price;
- (iv) the Share Offer Price represents a premium to the audited consolidated net liabilities per Share as at 31 December 2022 and a premium of approximately 3,235.8% over the audited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.0023263 per Share as at 31 December 2022;
- (v) the Implied PSR of approximately 0.415 times is higher than the PSRs of the Peer Comparable Companies and the Implied T12M PSR of approximately 0.335 times is higher than the T12M PSRs of the Peer Comparable Companies, in which we consider that the Peer Comparable Companies provide a relevant analysis for the Independent Shareholders based on the explanation set out in “Comparison with other comparable companies” above; and

- (vi) the exercise price of the Share Options is higher than the Share Offer Price and the Share Options are out-of-the-money,

we are of the opinion that the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Share Offer and the Optionholders to accept the Option Offer. Nonetheless, we note that the Share price has been trading above the Share Offer Price since the trading resumed on 8 December 2023 and up to the Latest Practicable Date. For those Independent Shareholders who intend to accept the Share Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, should sell the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Share Offer.

For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

For those Independent Shareholders who are attracted by or confident in the prospects of the Group with the Offeror as the controlling Shareholder of the Company may consider to retain their Shares in full or in part.

Yours faithfully,
For and on behalf of
Pulun International Capital Limited
(formerly known as Titan
Financial Services Limited)



Eric Koo
Managing Director



Alvin Tsui
Executive Director

Mr. Eric Koo is a licensed person registration with the SFC and is a responsible officer of Pulun International Capital Limited (formerly known as Titan Financial Services Limited) to carry out Type 6 regulated activity (advising on corporate finance) under the SFO. He has over 20 years of experience in corporate finance.

Mr. Alvin Tsui is a licensed person registration with the SFC and is a licensed representative of Pulun International Capital Limited (formerly known as Titan Financial Services Limited) to carry out Type 6 regulated activity (advising on corporate finance) under the SFO. He has over 10 years of experience in corporate finance.