

27 August 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS:  
ENTERING INTO RENEWED CATERING TENANCY AGREEMENT AND  
RENEWED OFFICE TENANCY AGREEMENT**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and the transactions contemplated thereunder, particulars of which 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 27 August 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

The Board announced that on 15 July 2024, (i) Shenzhen Wantian Catering entered into the Renewed Catering Tenancy Agreement with Wangu Basket, pursuant to which Shenzhen Wantian Catering agreed to lease Enlarged Catering Premises; and (ii) Shenzhen Wantian Enterprise Zhongshan Branch entered into the Renewed Office Tenancy Agreement with Wangu Business Management, pursuant to which Shenzhen Wantian Enterprise Zhongshan Branch agreed to lease Enlarged Office Premises, each for a term of three (3) years during the Lease Period.

In accordance with HKFRS 16 “*Leases*”, the leases contemplated under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement will be recognised as right-of-use assets in relation to such agreements (with fixed lease payments) and will be regarded as an acquisition of assets by the Group under Rule 14A.24(1) of the Listing Rules.

Given that the transactions contemplated under the Renewed Catering Tenancy Agreement, the Renewed Office Tenancy Agreement together with the Existing Catering Tenancy Agreement and the Existing Office Tenancy Agreement are of similar nature and were all entered into within a 12-month period, and the lessors under the aforesaid agreements belong to the same group of connected persons of the Company, these transactions are required to be aggregated and to be treated as if they were one transaction pursuant to Rules 14.22, 14.23 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the value of the right-of-use assets recognised by the Group under the Renewed Catering Tenancy Agreement, the Renewed Office Tenancy Agreement together with the Existing Catering Tenancy Agreement and the Existing Office Tenancy Agreement exceeds 5% but is less than 25% on an aggregate basis, the transactions contemplated under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement constitute a discloseable transaction of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) Mr. Zhong is a director of Wangu Basket, which is ultimately beneficially owned as to approximately 59.6% and approximately 39.8% by Dr. Hooy and Mr. Zhong, respectively; and (ii) Wangu Business Management is ultimately beneficially owned as to 59.4% and 39.6% by Dr. Hooy and Mr. Zhong, respectively. Therefore, Wangu Basket and Wangu Business Management are associates of each of Dr. Hooy and Mr. Zhong. Each of Wangu Basket and Wangu Business Management is a connected person of the Company. Accordingly, the entering into of each of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement constitutes a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the value of the right-of-use assets recognised by the Group under the Renewed Catering Tenancy Agreement, the Renewed Office Tenancy Agreement together with the Existing Catering Tenancy Agreement and the Existing Office Tenancy Agreement exceeds 5%, the transactions contemplated under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement are also subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Lui Choi Yiu Angela, Mr. Siu Chun Pong Raymond and Mr. Lam Chi Wing, has been formed to advise the Independent Shareholders on the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and the transactions contemplated thereunder. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.



As at the Latest Practicable Date, we were not connected with the Group, Wangu Basket and Wangu Business Management, or where applicable, any of the respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there has been no other engagement entered into between the Company and Octal Capital Limited. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and the transactions contemplated thereunder.

Apart from normal professional fees payable to us by the Company in connection with our appointments as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executives and substantial shareholders of the Company, the Group, Wangu Basket, Wangu Business Management or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and the transactions contemplated thereunder, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and the lessors and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

### 1. Background information of and reasons for entering into the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement

#### *Background information of the parties of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement*

##### *The Group*

The Group is principally engaged in (i) food supply, (ii) catering, and (iii) environmental protection and technology and the operations are located in Hong Kong and the PRC.

Shenzhen Wantian Catering, the lessee under the Renewed Catering Tenancy Agreement, is an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability. Shenzhen Wantian Catering is principally engaged in the operation of restaurants in the PRC.

Shenzhen Wantian Enterprise is an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability and is principally engaged in the provision of business management services in the PRC. Shenzhen Wantian Enterprise Zhongshan Branch, the lessee under the Renewed Office Tenancy Agreement, is a branch of Shenzhen Wantian Enterprise. Shenzhen Wantian Enterprise Zhongshan Branch is principally engaged in the provision of business management services in the PRC.

##### *Wangu Basket and Wangu Business Management*

Wangu Basket, the lessor under the Renewed Catering Tenancy Agreement, is a company established in the PRC with limited liability. Wangu Basket is principally engaged in the provision of non-residential property leasing and property management services in the PRC.

Wangu Business Management, the lessor under the Renewed Office Tenancy Agreement, is a company established in the PRC with limited liability. Wangu Business Management is principally engaged in the provision of non-residential property leasing and property management services in the PRC.



*Reasons for and benefits of entering into the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement*

*Entering into the Renewed Catering Tenancy Agreement*

With reference to the Letter from the Board, given the steady progress of the economic recovery in the PRC and the recent opening of the Shenzhen-Zhongshan Link spanning the Pearl River Delta, the Board is optimistic about the development of the catering industry in the Greater Bay Area. As such, the Board is of the view that it is appropriate time to further secure a foothold on its way to the enhancement of its catering chain business. In the year of 2024, the Group has decided to expand the scale of its catering operations in Zhongshan by expanding the business of an existing western restaurant and opening more shops at Wangu Shopping Basket Plaza, including a wine bar, a fusion restaurant, a Sichuan cuisine restaurant, a soup specialty store, a fast food shop as well as shops selling catering-related products.

The Group considered opening new eateries in the same area a strategic move: (i) Wangu Shopping Basket Plaza is in a prime location in Zhongshan and the eateries opened here are convenient and easily accessible; (ii) the Group's offering a diverse range of dining choices concentrated in the same spot may effectively lower the level of direct competition from other eateries; and (iii) the management's cumulative knowledge and familiarity with the local area demographics have increased its confidence in appealing to customers by catering to their preferences and/ or introducing innovative dining concepts. The Board believes that the expansion of the restaurant network through the opening of more eateries will further strengthen the Group's brand identity and market position. Hence, Enlarged Catering Premises, which take up a larger area than Existing Catering Premises, were leased under the Renewed Catering Tenancy Agreement.

We understand from the management that the Group has diversified its fresh food supply business to the downstream by setting up restaurants in the Greater Bay Area since 2022, with a particular focus on Zhongshan city. The catering business expects to provide a downstream distribution channel for the Group's fresh food supply business in the Greater Bay Area, and meanwhile help achieve full integration along the value chain by rapidly expanding the Group's footprint in the Greater Bay Area within a short period of time. As mentioned in the annual report of the Group for the nine months ended 31 December 2023, situated in the central business district of Zhongshan, the Group's restaurants benefit from the prime locations and busy pedestrian flow of Wangu Shopping Basket Plaza. For the nine months ended 31 December 2023, the catering services business of the Group contributed a revenue of approximately HK\$12.2 million in comparison to HK\$4.9 million for the year ended 31 March 2023.

As mentioned in the annual report of the Group for the nine months ended 31 December 2023 and according to the National Bureau of Statistics of China, nationwide revenue from dining and catering amounted to RMB5.2 trillion, representing a significant growth of 20.4% year-on-year. With the dawning of the post-pandemic era, the increasing cross-border interaction and movement of people between Hong Kong and the Mainland in accelerated integration of the Greater Bay Area, the Group strived to create an ecosystem for multi-point consumer spending, procuring high-speed and qualitative development of its three principal business segments of food supply, catering and environmental protection and technology in the Greater Bay Area. In addition, the Shenzhen-Zhongshan Link, a mega cross-sea passage between the city of Zhongshan and the technology hub of Shenzhen opened to traffic on 30 June 2024, which reshaped the road network layout of the Pearl River estuary. The Group considers this mega infrastructure to be a significant move to improve the business environment of Zhongshan city amongst the Greater Bay Area which will bring more foot traffic and create more business possibility in its catering segment in Zhongshan city. Leveraging from (i) its accumulated knowledge in the field of catering in Zhongshan city of the Greater Bay Area; and (ii) its previous capital expenditures invested in its eateries at Wangu Shopping Basket Plaza since 2022, the Group, through the Renewed Catering Tenancy Agreement, will take up a larger area than Existing Catering Premises which includes but not limited to the whole Level 1 floor area in Wangu Shopping Basket Plaza. The Enlarged Catering Premises, particularly the whole Level 1 floor area in the Wangu Shopping Basket Plaza, will enable the Group to form a catering regime in the prime location of Zhongshan city of the Greater Bay Area with diverse echelons ranging from western fine dining, Thai food, Japanese-style food, Shunde cuisine, seafood stall dining, claypot rice dishes, fusion restaurant, Sichuan cuisine restaurant, soup specialty store, fast food shop as well as shops selling catering-related products, offering a wide array of dining and catering choices to residents of the Greater Bay Area. Having considered (i) the growth in the nationwide revenue from dining and catering in the PRC and the business opportunities in Zhongshan derived from the accelerated integration of the Greater Bay Area and the opening of Shenzhen-Zhongshan Link; (ii) the revenue growth of the Group's catering business since 2022; (iii) the synergy in the development of food supply business and catering business of the Group in the Greater Bay Area; and (iv) the Group's strategic move in offering a diverse range of dining choices concentrated in Wangu Shopping Basket Plaza, we are of view that the entering into of the Renewed Catering Tenancy Agreement to expand the scale of the Group's catering operations is in line with the Group's business development strategies, which is in the interests of the Company and the Shareholders as a whole.



*Entering into the Renewed Office Tenancy Agreement*

With reference to the Letter from the Board, to cope with and provide adequate support for the Group's development of the catering business in the Greater Bay Area, the Company has decided to expand the office area. In view of the expiry of the Existing Office Tenancy Agreement and the three-year lease term of the Renewed Catering Tenancy Agreement and with an aim to align the office tenancy with the catering tenancy in respect of the lease term, Shenzhen Wantian Enterprise Zhongshan Branch and Wangu Business Management entered into the Renewed Office Tenancy Agreement for a term of three (3) years during the Lease Period. In view of the expiry of the Existing Office Tenancy Agreement on 31 July 2024, Wangu Business Management has agreed to grant a rent-free period to Shenzhen Wantian Enterprise Zhongshan Branch for the maintenance of Existing Office Premises until the Renewed Office Tenancy Agreement takes effect.

We understand from the management that the Enlarged Office Premises are located in Wangu Plaza with proximity to the Enlarged Catering Premises in Wangu Shopping Basket Plaza. Through the entering into of the Renewed Catering Tenancy Agreement, the Group will expand its existing 9 eateries to 14 eateries and 2 shops selling catering related products and the employees in the catering segment of the Group in the Greater Bay Area are expected to increase from 96 on 1 August 2023, being the date of the Existing Office Tenancy Agreement, to over 350 upon the commencement of all the eateries and shops in the Enlarged Catering Premises. Having considered the entering into of the Renewed Office Tenancy Agreement could (i) align the office tenancy with the Enlarged Catering Premises and the development of catering segment of the Group; (ii) allow the managerial and administrative personnel to have easy access to the eateries of the Group in Wangu Shopping Basket Plaza, which would enhance the operating efficiency of the Group's catering segment; and (iii) maintain the current office tenancy in Zhongshan so as to minimise capital expenditure and cost to be incurred in relation to possible office relocation and operation interruption, we are of the view that the entering into of the Renewed Office Tenancy Agreement is in line with the Group's business development strategies, which is in the interests of the Company and the Shareholders as a whole.

**2. The principal terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement**

The table below sets out the principal terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreements:

	<b>Renewed Catering Tenancy Agreement</b>	<b>Renewed Office Tenancy Agreement</b>
<b>Parties:</b>	(i) Shenzhen Wantian Catering (as lessee); and (ii) Wangu Basket (as lessor)	(i) Shenzhen Wantian Enterprise Zhongshan Branch (as lessee); and (ii) Wangu Business Management (as lessor)
<b>Leased Premises:</b>	Premises having an aggregate lettable area of approximately 11,975.33 sq.m., comprising: (i) The entire Level 1; (ii) Shop units 501, 502, 503, 504 and 506 on Level 5; and (iii) Shop units 601 and 602 on Level 6 and Level 7, Wangu Shopping Basket Plaza, No. 9 Tianwang Road, Shagang, Dongqu Subdistrict, Zhongshan, Guangdong, the PRC	Premises having an aggregate lettable area of 2,511 sq.m. located at Unit A401 on Level 4 of Block A and Units B401–405 on Level 4 of Block B, Wangu Plaza, No. 10 Xinglong Road, Shagang, Dongqu Subdistrict, Zhongshan, Guangdong, the PRC
<b>Monthly Rental Payable:</b>	Approximately RMB749,000 (inclusive of tax) or approximately RMB687,000 (excluding tax)	Approximately RMB104,000 (inclusive of tax) or approximately RMB95,500 (excluding tax)
<b>Average effective monthly rental (RMB/sq.m.) (excluding tax)</b>	Approximately RMB57.4 (excluding tax)	Approximately RMB38.0 (excluding tax)



	Renewed Catering Tenancy Agreement	Renewed Office Tenancy Agreement
<b>Management fee, utilities charges and other outgoings</b>	Payable by lessees  The actual amount of utilities charges and fire service maintenance fees will be equivalent to the amounts being charged to Wangu Basket and Wangu Business Management (as the case may be) by the local utility bureaus and/or independent third party service provider without any mark-up.	
<b>Lease term:</b>	Three (3) years during the Lease Period	
<b>Usage:</b>	Catering and retail	Office

***Analysis of the principal terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement***

As set out in the Letter from the Board, the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement were arrived at an arm's length negotiation between the relevant parties. The rental payable under the Renewed Catering Tenancy Agreement was determined after taking into account the prevailing market conditions and the prevailing market rent for similar premises according to the valuation of market rent of Enlarged Catering Premises prepared by the Independent Valuer. In addition, the rental payable under the Renewed Office Tenancy Agreement was determined after taking into account the prevailing market conditions and the prevailing market rent for similar premises according to the valuation of market rent of Enlarged Office Premises prepared by the Independent Valuer.

We have discussed with the management the principal terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement, as set out above, which the Directors consider to be on normal commercial terms or better, and that the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement are in the ordinary and usual course of the Group and on normal commercial terms or better, and that the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, we understand that the Company has appointed Peak Vision Appraisals Limited as the Independent Valuer to assess the market rents of the Enlarged Catering Premises and the Enlarged Office Premises for reference to the Board. In assessing the fairness and reasonableness of the rent payable by the Company under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement, we have reviewed the Valuation Report, which sets out the Independent Valuer's assessment of market rent for the Enlarged Catering Premises and the Enlarged Office Premises as at 10 July 2024.

## Assessment on the Valuation

### *(i) Review of the Valuation Report*

We reviewed the Valuation Report and noted that the respective monthly rents of the Enlarged Catering Premises and the Enlarged Office Premises of approximately RMB687,000 (excluding tax) and RMB95,500 (excluding tax) are slightly below the market rents as at 10 July 2024 as stated in the Valuation Report. We discussed with the Independent Valuer on (i) the background of the Independent Valuer; (ii) the valuation approach adopted; (iii) the criteria in selecting the comparable rental transactions, including proximity, timing of transactions, location, floor, size and layout and condition; and (iv) the sources of comparable rental transactions.

### *(ii) Qualifications*

For our due diligence purpose, we have reviewed and enquired into the Independent Valuer's qualifications and experience in assessing the terms of tenancy agreements through (i) reviewing their engagement letter (including their scope of work); (ii) reviewing and conducting phone-interview on the qualification of the Independent Valuer including its previous experience in conducting property valuation; and (iii) enquiring the current and previous working relationship between the Independent Valuer, the Company, the lessors and the respective connected persons. We understood that the Independent Valuer is a valuation firm with solid experience in conducting property valuation and market rent assessment for major clients including listed companies and multinational corporations. The Valuation Report was prepared by Mr. Nick Kung, who is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, an RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and possesses over 20 years of experience in valuation in Hong Kong, and the PRC. In addition, the site inspection was carried out during June 2024 by Mr. Lee Chern Sung ("Mr. Lee"), a director of the Independent Valuer. Mr. Lee is a member of each of CFA Institute, Hong Kong Institute of Certified Public Accountants and the Royal Institution of Chartered Surveyors, and has over 10 years of experience in the inspection of properties in Hong Kong and the PRC. The Independent Valuer confirmed that it is an independent third party which is in a position to provide an objective and unbiased valuation. Moreover, we have reviewed the terms of engagement of the Independent Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer. We have performed the work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Independent Valuer and its work in regard to the monthly market rent of the Enlarged Catering Premises and the Enlarged Office Premises.



*(iii) Methodology, bases and assumptions*

We have also discussed with the Independent Valuer the work it has performed and the methodology, bases and assumptions and adjustments adopted in arriving at its conclusion in the valuation of market rent as to the monthly rent of the Enlarged Catering Premises and the Enlarged Office Premises, including desktop search of the comparable properties and discussion with the Independent Valuer on the adjustments made.

In the course of performing the assessment, the Independent Valuer confirmed that they had complied with all the requirements of Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors. The Independent Valuer's assessment of the market rent has been made on the assumption that the lessors lease the properties in the market without the benefit of deferred terms contracts, joint ventures, management agreements or any similar arrangements which could affect the market rent of such properties of the Enlarged Catering Premises and the Enlarged Office Premises. We have obtained the certificate of title of the Enlarged Catering Premises and the Enlarged Office Premises and the legal opinion from the PRC legal adviser and we have not identified any major issues that would cause us to doubt the fairness and reasonableness of the assumptions applied in the valuation of the Enlarged Catering Premises and the Enlarged Office Premises.

According to the Valuation Report, in assessing the fairness and reasonableness of the monthly rents of the Enlarged Catering Premises and the Enlarged Office Premises, the Independent Valuer has adopted the direct comparison method in its assessment by making reference to comparable market rent evidences in similar locations in its market rent assessment. This approach provides an indication of value by comparing the asset with identical or similar assets for which monthly rental information is available. Adjustments were made to reflect difference in various aspects between the subject property and the comparables to arrive at the adopted market rent unit rate of the property. As this approach makes reference to the market level rental of similar properties, we are of the view that it is a fair and reasonable approach to determine the monthly rent of the Enlarged Catering Premises and the Enlarged Office Premises.

During our discussion with the Independent Valuer and the review on the valuation of the market rent, we understand how the monthly rent was derived and how the comparable properties of similar character and location were weighed against the market rent of the Enlarged Catering Premises and the Enlarged Office Premises. We have discussed with the Independent Valuer and noted that the selection criteria of the comparable rental transactions (the “Comparable Leases”) include (i) the proximity; (ii) the timing of the transactions (i.e. within three (3) months from the valuation date) and (iii) the usage. Based on the above selection criteria together with the Independent Valuer's understanding of the locality, the site investigation of the Enlarged Catering Premises and the Enlarged Office Premises and the common practice in the valuation field, the Independent Valuer had selected at least three comparables for each of the Enlarged Catering Premises and the Enlarged Office Premises on an exhaustive basis to the best of the Independent Valuer's

understanding and considered these selected comparables to be the most representative transactions for deriving the market rents of the Enlarged Catering Premises and the Enlarged Office Premises within three (3) months from the valuation date. The Independent Valuer conducted its search for the lease comparables through the private and public database, the public information released from property agents and independent enquiries and verification with property agents, landlords and/or tenants. The Independent Valuer has considered and discussed with the Company the details of the Comparable Leases such as date of transaction, usage, location, size, monthly rent and adjusted monthly rent. In addition, for conducting review on the assessment of the market rent of the Enlarged Catering Premises and the Enlarged Office Premises, we understood from the Independent Valuer that they have made relevant adjustments, including location, floors, layout and condition and size to account for the differences between the Enlarged Catering Premises and the Enlarged Office Premises and the Comparable Leases. In valuing the market rents of the Enlarged Catering Premises and the Enlarged Office Premises and preparing the Valuation Report, the Independent Valuer confirmed that they had complied with all the requirements of Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors.

As part of our analysis, we further conducted desktop research through 58.com and other public information to check that (i) the location of the Comparable Leases are all in the Dongqu Subdistrict and the Wuguishan Subdistrict of Zhongshan city, which are all within 15 minutes driving distance of the Enlarged Catering Premises and the Enlarged Office Premises; (ii) the Comparable Leases are of similar usage as the Enlarged Catering Premises and the Enlarged Office Premises, respectively; and (iii) the information of building condition of the Comparable Leases in comparison to the Enlarged Catering Premises and the Enlarged Office Premises, respectively. 58.com is one of China's largest classified marketplaces which offers house rental, recruitment, travel, catering, entertainment and group-buying information and services. We considered that the selection criteria of the Comparable Leases for the Enlarged Catering Premises and the Enlarged Office Premises based on their locations and usages under similar timing of transactions are fair and reasonable. We noted that (i) six comparable tenancy transactions for the Enlarged Catering Premises (the "**Enlarged Catering Premises Comparable Leases**"); and (ii) five comparable quotations for the Enlarged Office Premises (the "**Enlarged Office Premises Comparable Leases**") were identified by the Independent Valuer that occurred within three months from the valuation date. Generally, comparable leases that are closer to the valuation date offer a more accurate reflection of the market condition as at the valuation date. We are of the view that the 3-month horizon of the sample copies represents a sufficient review period to reflect the market trend of similar transactions and the number of Comparable Leases that occurred within 3 months from the valuation date is sufficient to derive an objective and reliable opinion of value. The Independent Valuer has confirmed that all the adjustments, applied to account for the differences between the Enlarged Catering Premises and the Enlarged Office Premises and the Comparable Leases, conform to the market practice. We reviewed rental transactions conducted by other listed entities listed on the Stock Exchange and noted that their independent valuers made similar nature of adjustments in valuing the market rent of the properties. Having considered (i) the



geographical proximity of the Comparable Leases; (ii) each of the comparable properties of the Comparable Leases all possessing similar usage; (iii) the similar building conditions as the Comparable Leases; (iv) sufficient Comparable Leases within three months from the valuation date; and (v) all the adjustments applied by the Independent Valuer conforming to the market practice, we concur with the view of the Independent Valuer that the Comparable Leases and the adjustments are appropriate, fair and reasonable for the assessment of market rent of the Enlarged Catering Premises and the Enlarged Office Premises.

In light of the above, we consider that the methodology, basis and assumptions adopted by the Independent Valuer in assessing the monthly rent are appropriate, reasonable and in line with market practice.

*(iv) Analysis on the monthly rentals of the Enlarged Catering Premises and the Enlarged Office Premises*

According to the Valuation Report and the table included above which set out the average effective monthly rental for the Enlarged Catering Premises and the Enlarged Office Premises with respect to the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement, the average market rent based on gross floor area of 6,657.81 sq.m. and the effective monthly rent payable based on lettable area of 11,975.33 sq.m. for the Enlarged Catering Premises are approximately RMB103.79 per sq.m. (excluding tax) and approximately RMB57.4 per sq.m. (excluding tax), respectively. The average market rent based on gross floor area of 2,511 sq.m. and the effective monthly rent payable based on lettable area of 2,511 sq.m. for the Enlarged Office Premises are approximately RMB38.27 per sq.m. (excluding tax) and approximately RMB38.0 per sq.m. (excluding tax), respectively

In this regard, we have obtained and reviewed the Comparable Leases for the Enlarged Catering Premises and the Enlarged Office Premises, and we noted that (i) the monthly rent levels quoted under the Enlarged Catering Premises Comparable Leases, range from approximately RMB81.25 to RMB180 per sq.m. (excluding tax) with an average of approximately RMB103.1 per sq.m. (excluding tax); (ii) the market rent levels quoted under the Enlarged Office Premises Comparable Leases, range from approximately RMB33 to RMB40 per sq.m. (excluding tax) with an average of approximately RMB37.4 per sq.m. (excluding tax).

We noted that the average market rent based on gross floor area of 6,657.81 sq.m. amounted to approximately RMB103.79 per sq.m. (excluding tax) for the Enlarged Catering Premises is within the range under the Enlarged Catering Premises Comparable Leases and is comparable to the average of approximately RMB103.1 per sq.m. (excluding tax) under the Enlarged Catering Premises Comparable Leases. Taking into account the overall lettable area of 11,975.33 sq.m. for the Enlarged Catering Premises which includes the additional lettable area of 5,317.52 sq.m. of outdoor and flat roof areas for the catering business operation of the Group, the effective monthly rent payable amounted to approximately

RMB57.4 per sq.m. (excluding tax) for the Enlarged Catering Premises falls below the range under the Enlarged Catering Premises Comparable Leases. The average market rent based on gross floor area of 2,511 sq.m. and the effective monthly rent payable based on lettable area of 2,511 sq.m. for the Enlarged Office Premises amounted to approximately RMB38.27 per sq.m. (excluding tax) and approximately RMB38.0 per sq.m. (excluding tax) respectively which both lie within the range and are comparable to the average of approximately RMB37.4 per sq.m. (excluding tax) under the Enlarged Office Premises Comparable Leases.

In light of the above and having considered that Wangu Business Management has agreed to grant a rent-free period of approximately 2 months to Shenzhen Wantian Enterprise Zhongshan Branch for the maintenance of the Existing Office Premises until the Renewed Office Tenancy Agreement takes effect which further reduce the actual rental expenditure to be incurred by the Group, we consider the rent payable under each of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement is fair and reasonable, on normal commercial terms and no less favourable to the Group than those available from independent third parties of the same or similar properties.

*(v) Analysis on the duration of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement*

Pursuant to the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement, each of the lessors under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement agreed to lease out the property for a term during the Lease Period of three (3) years. As part of our analysis, given that the Enlarged Catering Premises and the Enlarged Office Premises are located in the PRC, we have attempted to identify leasing transactions of offices and shops which (i) were conducted by the companies listed on the Stock Exchange; (ii) involved properties of office and/or shop in the PRC; and (iii) initiated or renewed within three months before the date of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement. We have identified 28 transactions (the “**PRC Leasing Transactions**”) with a duration under these underlying tenancy agreements ranging from approximately 1 to 15 years and 12 out of 28 PRC Leasing Transactions are with a duration of approximately 3 years. Accordingly, the duration for each of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement of three years is fair and reasonable, and on normal commercial terms.

*(vi) Analysis on the rental payable (inclusive of tax)*

Pursuant to the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement, the respective lessees under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement agreed to pay monthly rents of approximately RMB749,000 (inclusive of tax) and RMB104,000 (inclusive of tax). We have discussed with the Independent Valuer and understood that in arriving at the market rent of the Enlarged Catering Premises and the Enlarged Office Premises, the Independent Valuer has adopted the direct comparison method. Having considered that the rental payable of the



Comparable Leases is exclusive of value-added tax (the “VAT”), management fees, utilities and other outgoings, the Independent Valuer adjusted the above-mentioned monthly rental payment under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement to exclude VAT in order to conduct a fair and meaningful comparison with the Comparable Leases. It is noted that the respective monthly rents of the Enlarged Catering Premises and the Enlarged Office Premises of approximately RMB687,000 (excluding tax) and RMB95,500 (excluding tax) are slightly below the market rents (excluding tax) as at 10 July 2024 as stated in the Valuation Report. As part of our analysis, we have reviewed the tax reconciliation calculation prepared by the Group to reconcile the rental payable (inclusive of tax) taking into account the 9% VAT. We have also reviewed the legal opinion from the PRC legal adviser and noted the current VAT tax rate for real estate operation and leasing services is 9%. In addition, we noted that 9 out of 28 PRC Leasing Transactions explicitly stated that the monthly rental payable by the tenants is inclusive of tax. Therefore, we are of the view that the rental payable inclusive of tax in respect of the Enlarged Catering Premises and the Enlarged Office Premises is fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

*(vii) Obligation to pay for management fee and other outgoings expenses*

We note that the Group is obliged to pay for management fee, fire service maintenance fee, utilities and other outgoings under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement. In this regard, we have discussed with the Independent Valuer and understood that it is common in the market in the PRC that management fee, fire service maintenance fee, utilities and other outgoings are borne by the lessees. Therefore, the Independent Valuer also assumes the rental payment of the Enlarged Catering Premises and the Enlarged Office Premises are exclusive of value-added tax, management fees, utilities and other outgoing in the Valuation Report. As part of our analysis, we noted that 17 out of 28 PRC Leasing Transactions explicitly stated in the relevant announcements and/or circulars published on the Stock Exchange that the tenants are obliged to pay for management fee and/or other outgoings. Therefore, we concur with the Directors that the obligation to pay management fee, fire service maintenance fee, utilities and other outgoings obligation under the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement is fair and reasonable, and on normal commercial terms.

In light of the above, we concurred with the Director that the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement were arrived at an arm’s length negotiation between the relevant parties. Each of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement is entered into in the ordinary and usual course of the Group and on normal commercial terms or better, and that the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement have been entered into within the ordinary and usual course of the Group's business based on normal commercial terms or better, and the terms of the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Renewed Catering Tenancy Agreement and the Renewed Office Tenancy Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**



**Alan Fung**  
*Managing Director*



**Louis Chan**  
*Director*

*Note:*

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.