

30 October 2023

To the Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
BY BLACKWELL GLOBAL SECURITIES LIMITED
ON BEHALF OF RAPID DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
ARTINI HOLDINGS LIMITED (OTHER THAN THOSE
ALREADY OWNED OR AGREED
TO BE ACQUIRED BY RAPID DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer. Details of the Offer are set out in the “Letter from Blackwell” enclosed in the Composite Document dated 30 October 2023, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 16 September 2023, the Vendors and the Offeror entered into the Agreement (as supplemented by the Supplemental Agreement), pursuant to which the Vendors conditionally agreed to sell and transfer, and the Offeror conditionally agreed to purchase, the Sale Shares free from all Encumbrances for a cash Consideration of HK\$128,292,933.5364, equivalent to HK\$0.1812 per Sale Share. The Sale Shares represent approximately 64.13% of the total issued share capital of the Company as at the date of the Joint Announcement.

Immediately prior to Completion, none of the Offeror and parties acting in concert with it owned, controlled or had direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of the Joint Announcement, the Offeror and parties acting in concert with it are interested in 708,018,397 Shares, representing approximately 64.13% of the total issued share capital of the Company.

The Offeror is therefore be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Ma Sai Yam, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. As at the Latest Practicable Date, apart from the existing engagement in connection with the Offer, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection with the Company or the Offeror or the controlling shareholders of either of them within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

It is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or the Offeror or any other parties that could reasonably be regarded as relevant to our independence, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have reviewed, among others, the annual reports of the Company for the years ended 31 March 2021, 31 March 2022 and 2023 (the “**2021 Annual Report**”, the “**2022 Annual Report**” and the “**2023 Annual Report**”, respectively), the Joint Announcement and the Composite Document. We have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Directors. We have assumed that all information and representations contained or referred to in the Composite Document and/or provided to us were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinion and recommendation. The Directors have declared in a responsibility statement set out in the Appendix IV to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer.

In formulating our opinions, we have not considered the tax implication on the Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. The Shareholders will be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

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

THE OFFER

As at the Latest Practicable Date, the Company had 1,103,968,128 Shares in issue and the Company has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

Blackwell is making the Offer, which is unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

Offer Price for each Offer Share HK\$0.1812 in cash

The Offer Price of HK\$0.1812 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Agreement (as supplemented by the Supplemental Agreement).

The Offer is unconditional in all respects and extends to all the Independent Shareholders in accordance with the Takeovers Code.

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 Bermuda with limited liability. The Group is principally engaged in fashion accessories jewellery business. The Group has two operating segments, including (i) wholesale of a wide selection of fashion accessories products mainly through the Group's self-operated online platform (the "**Fashion accessories online wholesales platform Segment**"); and (ii) others, consists of retail and distribution of fashion accessories products through third-party retail online platforms for retail customers in the People's Republic of China (the "**PRC**") and third party physical points of sale by authorised distributors and consignees in the PRC and Hong Kong, offline wholesale channels for trading of fashion accessories products to global wholesale customers and PRC wholesale customers (the "**Other Segment**").

Set out below is a summary of the audited consolidated financial information on the Group's operations for each of the three years ended 31 March 2021, 2022 and 2023 ("**FY2021**", "**FY2022**" and "**FY2023**", respectively) as extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 Annual Report.

	For the year ended 31 March		
	2023	2022	2021
	HK\$' 000	HK\$' 000	HK\$' 000
	(audited)	(audited)	(audited)
Revenue	63,692	76,968	79,397
– <i>Fashion accessories online wholesales platform Segment</i>	59,906	61,866	44,310
– <i>Other Segment</i>	3,786	15,102	35,087
Gross profit	16,179	14,053	9,197
Loss before income tax	(2,925)	(22,377)	(24,894)
Loss for the year	(1,435)	(22,377)	(26,621)

	As at 31 March	
	2023	2022
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	(audited)	(audited)
Total assets	154,322	163,498
Total liabilities	23,926	22,746
Net assets	130,396	140,752
Total equity	130,396	140,752

Financial performance for the year ended 31 March 2023

For FY2023, the Group recorded revenue of approximately HK\$63.7 million, representing a decrease of approximately 17.3% as compared to that of approximately HK\$77.0 million for FY2022. The decrease in revenue was mainly due to the downward pressure on the global economy which reduced the consumer spending on discretionary purchases and lead to decrease in demand of the Group's products.

The gross profit of the Group was approximately HK\$16.2 million for FY2023, representing an increase of approximately 14.9% as compared to that of approximately HK\$14.1 million for FY2022, and gross profit margin was approximately 25.4%, increase for 7.1 percentage points when compared to that of approximately 18.3% for FY2022. The increase in gross profit was mainly due to (i) negotiated lower cost of goods with suppliers; and (ii) less discounts was offered to customers.

The loss for the year of the Company was approximately HK\$1.4 million for FY2023, representing a decrease of approximately 93.8% as compared to that of approximately HK\$22.4 million for FY2022 mainly due to the decrease in cost of sales and the selling and distribution expenses resulted from the decrease in marketing and promotion expenses for the Group's fashion accessories business during FY2023.

Financial performance for the year ended 31 March 2022

For FY2022, the Group recorded revenue of approximately HK\$77.0 million, representing a decrease of approximately 3.0% as compared to that of approximately HK\$79.4 million for FY2021. The decrease in revenue was mainly due to decrease in sales volume resulted from no extra discounts was offered to customers.

The gross profit of the Group was approximately HK\$14.1 million for FY2022, representing an increase of approximately 53.3% as compared to that of approximately HK\$9.2 million for FY2021, and gross profit margin was approximately 18.3%, increase for 6.7 percentage points when compared to that of approximately 11.6% for FY2021. The increase in gross profit was mainly due to (i) the fact that the COVID-19 epidemic (the “**Epidemic**”) was increasingly stabilized within the year and boosted the sales in fashion accessories online platform segment which has lower cost of sales; and (ii) no extra discounts was offered to customers when compared to FY2021.

The loss for the year of the Company was approximately HK\$22.4 million for FY2022, representing a decrease of approximately 15.8% as compared to that of approximately HK\$26.6 million for FY2021 mainly due to the combined effect of (i) decrease in cost of sales and administrative expenses; and (ii) the increase in selling and distribution expenses mainly resulted from the increase in the distribution costs such as logistics and shipping costs and the marketing and promotion expenses for the Group’s fashion accessories business during the FY2022.

Financial performance for the year ended 31 March 2021

For FY2021, the Group recorded revenue of approximately HK\$79.4 million, representing a decrease of approximately 65.1% as compared to that of approximately HK\$227.6 million for FY2020. The decrease in revenue was mainly due to the global outbreak of the Epidemic in January 2020 with the decrease in the total number of customers and transactions.

The gross profit of the Group was approximately HK\$9.2 million for FY2021, representing a decrease of approximately 83.5% as compared to that of approximately HK\$55.6 million for FY2020, and gross profit margin was approximately 11.6%, decrease of 12.8 percentage points when compared to that of approximately 24.4% for FY2020. The decrease in gross profit was mainly due to the impact of the Epidemic which led to (i) the decrease in revenue; (ii) the offer of extra discounts to customers when compared to FY2020; and (iii) the provision for inventories of approximately HK\$4.4 million made and recognised as cost of inventories sold during FY2021.

The loss for the year of the Company was approximately HK\$26.6 million for FY2021, representing a turnover as compared to the profit for the year of the Company of approximately HK\$11.0 million for FY2020 mainly due to the decrease in revenue and gross profit as mentioned above.

Financial position as at 31 March 2023

The total assets of the Group were approximately HK\$154.3 million as at 31 March 2023, representing a decrease of 5.6% as compared to that of approximately HK\$163.5 million as at 31 March 2022. The assets of the Group mainly consist of (i) trade receivables, contract assets and other receivables; (ii) inventories; (iii) intangible assets; and (iv) cash and bank balances. The trade receivables, contract assets and other receivables includes receivable from the sales of goods, balances due from customers under sales of fashion accessories products and other receivables raised from which mainly are prepaid advertising expenses, logistics cost and deposit with trading platforms. The intangible assets consist of trademark and non-contractual customer lists and relationships.

The total liabilities of the Group were approximately HK\$23.9 million as at 31 March 2023, representing an increase of 5.3% as compared to that of approximately HK\$22.7 million as at 31 March 2022. The liabilities of the Group mainly consist of (i) trade and other payables; and (ii) income tax payable. The Group's trade payables principally comprise amounts outstanding for trade purchases and other payables mainly consists of other tax payable, other payables and accruals raised from which mainly are accrued audit fee and other operating expenses.

As at 31 March 2023, the net asset of the Group decreased approximately 7.4% from approximately HK\$140.8 million as at 31 March 2022 to approximately HK\$130.4 million. The decrease in net asset of the Group was mainly resulted from the combined effect of the increase in trade receivables and offset by the decrease in cash and bank balances due to the decrease in net asset value of PRC subsidiaries of the Group as the closing rate of Renminbi as at 31 March 2023 was weakened around 8% compared to the closing rate of 31 March 2022.

2. Future Plan and Prospects

The Group is principally engaged in fashion accessories jewellery business. As stated in the 2023 Annual Report, approximately 90% of the Group's revenue was derived from the United States of America (the "U.S.") during FY2023. The demands for consumer goods in the U.S. are expected to be affected by (i) the consumer price index; (ii) the disposable personal income; (iii) the interest rate; and (iv) the unemployment rate.

According to the U.S. Bureau of Labor Statistics, the consumer price index (“CPI”) in the U.S. had increased by approximately 3.7% on a year-on-year basis in August 2023 when compared to that of approximately 3.2% for July 2023. A higher inflation rate erodes purchasing power of the consumers and may directly affect the affordability of consumer goods. Meanwhile, higher price tags on consumer goods also deter consumers’ spending as higher prices may discourage consumption.

According to the U.S. Bureau of Economic Analysis, the disposable personal income (the “DPI”) of the U.S. for the 2022 was approximately US\$18,703 billion which represented an increase of approximately 0.2% from that of approximately US\$18,664 billion for that 2021. The aforesaid growth rate of the U.S. DPI has shown a trend of slowing down when compared to an average annual growth rate of approximately 6.03% between 2017 and 2021.

The Federal Reserve of the United States of America (the “**Federal Reserve**”) has been on a path of raising interest rates to combat inflation. The interest rate has been increased from 0.5% to 5.5% since mid-March 2022 to mid-September 2023. The high interest rate environment would impact demands for consumer goods, as higher interest rates can encourage saving, discourage borrowing and increase the cost of financing which may lead to a decrease in consumer spending.

According to the statistics provided by the U.S. Bureau of Labor Statistics, the unemployment rate in the U.S. rose to 3.8% in August 2023 from 3.5% in July 2023 which is the highest since February 2022. As the more consumer are expecting to receive a steady income, the more of them are willing to make discretionary spending purchases. Therefore, the higher unemployment rate reported would have adversely affect on the consumer goods demand.

Having considered the above factors, we considered that the consumer goods industry in the U.S. remains uncertainty, we believe the business and operation environments of the Group will remain challenging.

3. Information on the Offeror

The Offeror is a company incorporated in the BVI with limited liability and is wholly owned by Rapid Investment Development (Shenzhen) Limited* (迅發投資發展(深圳)有限公司) (“**Rapid Investment Development**”), which is in turn wholly owned by Fuxing Investment Development (Shenzhen) Co., Ltd.* (賦興投資發展(深圳)有限公司) (“**Fuxing Investment Development**”), a company owned as to 70% by Mr. Chen, the sole director of the Offeror, 29% by Ms. Lin Chenjie (林晨潔) (wife of Mr. Chen) and 1% by Mr. Chen Naien (陳乃恩) (brother of Mr. Chen). Both Rapid Investment Development and Fuxing Investment Development are investment holding companies.

Mr. Chen, aged 29, holds a bachelor's degree in E-commerce from Xiamen University of Technology (廈門理工學院). Mr. Chen is a council member of the Shenzhen Fuzhou Chamber of Commerce* (深圳福州商會) and the vice president of the New Social Stratum Association of Bao'an District, Shenzhen* (深圳市寶安區新的社會階層人士聯合會). Mr. Chen has over six years of experience in the sales and distribution of consumer goods such as health, cosmetic and electronic products in China. Since July 2019, Mr. Chen has been the executive director and one of the ultimate shareholders of Rapid Investment Development, a company which is principally engaged in investment activities with investment in companies engaging in the sales and distribution of consumer goods, including health, cosmetic and electronic products. For details of the biographical information of Mr. Chen, please refer to the paragraph headed "Appointment of Director" in the "Letter from Blackwell". Mr. Chen does not hold directorship in any listed companies.

4. Intentions of the Offeror in relation to the Group

As disclosed in the "Letter from Blackwell", as at the Latest Practicable Date, the Offeror intended to continue the principal business of the Group and had no intention to dispose of the businesses of the Group immediately after completion of the Offer.

The Offeror will, following the close of the Offer, conduct a review of the operations of the Group in order to formulate a long-term strategy for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. As disclosed in the "Letter from Blackwell", by leveraging Mr. Chen's experience, industry knowledge and network in the sales and distribution of consumer goods, the Offeror intends to explore related business opportunities and commence related business by expanding the Group's product offerings through launching more fashion accessories products and diversifying its products range to cover skincare and health products and by strengthening the Group's online and offline sales channels. Subject to the results of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group, and the Offeror had 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 Board composition of the Company

As at the Latest Practicable Date, the Board was made up of six Directors, comprising three executive Directors, namely Mr. Tse, Ms. Yu Zhonglian and Mr. Tse Kin Lung; and three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Ma Sai Yam. As stated in the “Letter from Blackwell”, it is intended that save for Mr. Tse, who is an existing executive Director, all other Directors (including independent non-executive Directors) will resign from the Board with effect from the earliest time permitted under Rule 7 of the Takeovers Code.

As mentioned in the “Letter from Blackwell”, as at the Latest Practicable Date, it is the Offeror’s intention to nominate Mr. Chen as an executive Director and the chairman of the Board, and Mr. Tse will cease to be the chairman of the Board. The proposed appointment is expected to take effect with effect from the earliest time permitted under the Takeovers Code. Save as disclosed, as at the Latest Practicable Date, the Offeror had not reached any final decision as to who would be nominated as the new Directors.

For the biographical details of Mr. Chen, please refer to the “Letter from Blackwell” contained in the Composite Document.

As mentioned in the section headed “4. Intentions of the Offeror in relation to the Group” above, the Offeror had no intention to dispose of the businesses of the Group immediately after completion of the Offer. As mentioned above, Mr. Chen has been the executive director and one of the ultimate shareholders of Rapid Investment Development since 2019. As further disclosed in the “Letter from Blackwell”, in November 2022, Mr. Chen founded New Express Health Management (Shenzhen) Co., Ltd* (新幹綫健康管理(深圳)股份有限公司) (“**New Express Health Management**”), a company which is principally engaged in the retail of various consumer goods, including cosmetic and health products and the provision of health management consulting services to customers with an aim to sell its consumer goods. We noted that the Mr. Chen hold senior position as executive director in company which is principally engaged in investment activities with investment in companies engaging in sales and distribution of consumer goods business and Mr. Chen have substantial experiences, being the executive director of Rapid Investment Development and the founder of New Express Health Management, in the sales and distribution of consumer goods industry in the PRC. Accordingly, given Mr. Chen’s background and experience in consumer goods business as well as his management experience, we consider that he may contribute to the business management and enhance efficiency of the Group’s operations by expanding the Group’s product offerings through launching more fashion accessories products and strengthening the Group’s online and offline sales channels.

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

As stated in the “Letter from Blackwell” contained in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. Mr. Chen and the new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror.

As stated in the “Letter from Blackwell” in the Composite Document, the Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued 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,

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

6. Compulsory Acquisition

As stated in the “Letter from Blackwell” in the Composite Document, the Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

7. Offer Price

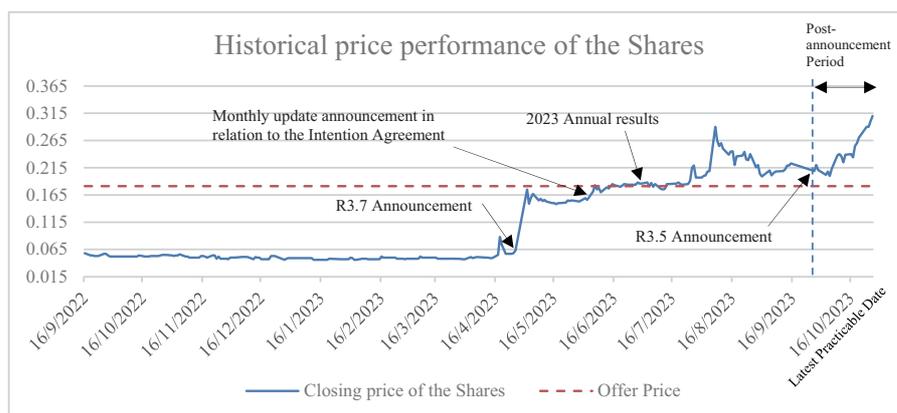
The Offer Price of HK\$0.1812 per Offer Share represents:

- (i) a premium of approximately 187.6% over the closing price of HK\$0.063 per Share as quoted on the Stock Exchange on 26 April 2023, being the last trading day prior to the commencement of the Offer Period;
- (ii) a discount of approximately 18.74% to the closing price of HK\$0.2230 per Share as quoted on the Stock Exchange on 15 September 2023, being the Last Trading Day;

- (iii) a discount of approximately 16.27% to the average of the closing prices of approximately HK\$0.2164 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 13.92% to the average of the closing prices of approximately HK\$0.2105 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 20.61% to the average of the closing prices of approximately HK\$0.2282 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 53.42% to the audited consolidated net asset value of approximately HK\$0.1181 per Share as at 31 March 2023 (calculated based on the audited consolidated net asset value of the Company of approximately HK\$130,396,000 as at 31 March 2023 as extracted from the 2023 Annual Report and 1,103,968,128 Shares (being the number of Shares in issue as at 31 March 2023); and
- (vii) a discount of approximately 41.55% to the closing price of HK\$0.310 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 16 September 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 would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares.



As shown in chart above, the closing price of the Shares during the Review Period ranges from the lowest closing price of approximately HK\$0.046 per Share recorded on 28 December 2022, 12, 13, 16, 17, 18, 19 January 2023, 2, 3 February 2023 to the highest closing price of approximately HK\$0.310 per Share recorded on the Latest Practicable Date respectively with an average closing price per Share of approximately HK\$0.1163.

The closing prices of the Shares were in general remained stable in the period before 28 April 2023, being the issue date of the announcement of the Company in relation to the Intention Agreement (the “**Rule 3.7 Announcement**”), the daily closing price of the Shares fluctuated between the range from HK\$0.046 per Share recorded on 28 December 2022, 12, 13, 16, 17, 18, 19 January 2023, 2, 3 February 2023 to HK\$0.088 per Share recorded on 18 April 2023, with an average of approximately HK\$0.0509 per Share.

Immediately after the date of the Rule 3.7 Announcement to the Last Trading Day, the daily closing price of the Shares was in an upward trend and fluctuated in a range of between HK\$0.148 to HK\$0.29, reached its peak of HK\$0.29 per Share on 7 August 2023. We have enquired the Directors regarding the possible reasons for such increase in the closing price of the Shares in the above period, and as confirmed by the Directors, the Directors were not aware of any happening which might have affected the closing price of the Shares.

Immediately after the date of the Joint Announcement and to the Latest Practicable Date (the “**Post-announcement Period**”), the daily closing price of the Shares was reached its peak of HK\$ 0.310 per Share recorded on the Latest Practicable Date. We have enquired into the Directors regarding the possible reasons for such increase in the closing price of the Shares in the Post-announcement Date, and as confirmed by the Directors, save as the Offer, the Directors were not aware of any happening which might have affected the closing price of the Shares.

We noted that the Offer Price had been higher than the daily closing prices for 185 out of 264 trading days during the Review Period. The Offer Price of HK\$0.1812 represents a premium of approximately 293.9% over the lowest closing price per Share, a discount of approximately 41.5% to the highest closing price per Share and a premium of approximately 55.8% over the average closing price per Share during the Review Period, respectively.

We further noted that the closing price of the Shares as at the Latest Practicable Date of HK\$0.310 per Share exceeded the Offer Price and the Offer Price represented a discount of approximately 41.5% to the closing price of the Shares as at the Latest Practicable Date. However, we considered that there is no guarantee on whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and/or after the Offer Period. Those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

After considering that (i) the Offer Price had been higher than the daily closing prices for 185 out of 264 trading days during the Review Period; and (ii) the Offer Price of represents a premium of approximately 293.9% over the lowest closing price per Share and a premium of approximately 55.8% over the average closing price per Share during the Review Period, we are of the view that the Offer Price is fair and reasonable.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares during the period from 16 September 2022 and up to the Latest Practicable Date, the Review Period, are tabulated as below:

Month	Number of trading days in each month <i>Number of days</i>	Average Volume <i>in Shares</i>	Percentage of the Average Volume to total number of issued Shares as at the end of each respective month	Percentage of the Average Volume to total number of issued Shares held by the public Shareholders as at the end of each respective month
			% <i>(Note 1)</i>	% <i>(Note 2)</i>
2022				
September	11	919,091	0.083%	0.232%
October	20	887,950	0.080%	0.222%
November	22	908,627	0.082%	0.229%
December	20	952,876	0.086%	0.241%
2023				
January	18	61,956	0.006%	0.016%
February	20	111,650	0.010%	0.028%
March	23	404,326	0.037%	0.102%
April	15	5,676,547	0.514%	1.434%
May	21	5,848,920	0.530%	1.477%
June	21	2,689,490	0.244%	0.679%
July	20	2,561,618	0.232%	0.647%
August	23	2,328,583	0.211%	0.588%
September	12	3,242,325	0.294%	0.819%
October (up to and including the Latest Practicable Date)	18	2,008,565	0.182%	0.507%

Notes: 1. The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for October 2023).

2. The calculation is based on the Average Volume divided by the total number of issued Shares held by the public Shareholders at the end of each month during the Review Period (or at the Latest Practicable Date for October 2023).

As illustrated above, during the Review Period, the Average Volume was ranging from 0.006% to 0.530% for the total number of issued Shares as at the end of each respective month (or at the Latest Practicable Date for October 2023). For the whole review period, the Average Volume was around 0.180% and 0.501% of total number of issued Shares and Shares held by public Shareholders respectively and we therefore consider the trading liquidity of the Shares is relatively low when compared to the total number of issued Shares and Shares held by public Shareholders respectively.

On the first trading day (i.e. 27 September 2023) after the Last Trading Date, the daily trading volume of the Shares increased to approximately 7.57 million Shares from approximately 0.58 million Shares as recorded on Last Trading Day (i.e. 15 September 2023). We consider that this increase in the trading volume of the Shares should have been the initial market reaction to the Joint Announcement.

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 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\$0.310 per Share was exceeded the Offer Price, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

Comparison with other comparable companies

In assessing the fairness and reasonableness of the Offer Price, it is a general practice to make reference to other comparable companies. We attempt to carry out a comparable analysis with 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. However, since the Group had been in poor financial performance which recorded net losses since year ended 31 March 2021 for three consecutive years, therefore the Group is not appropriate for PER comparison purpose.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in principal business similar to those of the Group namely, the retail and wholesale of fashion accessories jewellery businesses contributed over 50% of its total revenue for the latest completed financial year; (iii) recorded net asset value in their respective latest published financial information; and (iv) the companies with market capitalisation of below HK\$500 million which is considered as of similar size as compared with the Company.

We noted that approximately 90% of the Group's revenue was derived from the U.S. during FY2023. Based on our preliminary analysis, we only identified one company (i.e. Affluent Partners Holdings Limited) which is listed on the Main Board of the Stock Exchange and engaged in retail and wholesale of fashion accessories jewellery businesses with 50% of its revenue derived from the U.S.. Therefore, in order to maintain the samples size and ensure that we have a meaningful number of comparable companies, we have not included the selection criteria of where its revenue geographically derived. We found 7 Hong Kong listed companies (the "Market Comparables") which meet the said criteria and they are exhaustive. Despite the fact that the geography location of the revenue generated have not been included in the selection criteria, we are of the view that the Market Comparables selected base on the aforesaid selection criteria had covered all companies listed on the Main Board of the Stock Exchange that engaged in retail and wholesale of fashion accessories jewellery businesses and can provide a sufficient sample size for our analysis. Shareholders should note that the businesses, the market capitalisation, operations and prospects of the Group are not exactly the same as the Market Comparables.

Set out below are the PBRs and PSRs of the Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Stock Code	Company Name	Principal business	Market Capitalisation (Approximately HK\$)	PBR	PSR
1466	Affluent Partners Holdings Limited	Affluent Partners Holdings Limited is principally engaged in the purchasing, processing, designing, production, wholesaling and distribution of pearls and jewelry products.	460,294,508	5.88	5.30

Stock Code	Company Name	Principal business	Market Capitalisation (Approximately HK\$)	PBR	PSR
280	King Fook Holdings Limited	King Fook Holdings Limited is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling.	340,990,674	0.44	0.38
3326	Perfect Group International Holdings Limited	Perfect Group International Holdings Limited is principally engaged in designing, manufacturing and sales of high-end fine jewellery; development, sales and leasing of the Group's integrated and comprehensive industry park (the "Perfect Group Jewellery Industrial Park") located in the PRC; and the provision of management services to the Perfect Group Jewellery Industry Park properties and a third-party project.	241,381,620	0.38	0.65
442	Domaine Power Holdings Limited	Domaine Power Holdings Limited is principally engaged in the manufacture and sale of jewelry products.	233,010,000	2.33	1.26
417	Tse Sui Luen Jewellery (International) Limited	Tse Sui Luen Jewellery (International) Limited is principally engaged in jewellery businesses.	229,247,468	0.26	0.09
513	Continental Holdings Limited	Continental Holdings Limited is principally engaged in jewelry and diamond businesses.	157,117,199	0.08	0.39

Stock Code	Company Name	Principal business	Market Capitalisation	PBR	PSR
			(Approximately HK\$)		
986	China Environmental Energy Investment Limited	China Environmental Energy Investment Limited is mainly engaged in design of jewelry, sales and marketing of jewelry and money lending.	49,198,809	0.13	0.72
			The Offer	1.53	3.14
			Maximum	5.88	5.30
			Minimum	0.08	0.09
			Average	1.36	1.25
			Median	0.38	0.65

Source: the website of the Stock Exchange and the respective interim/annual report of the listed company

Notes:

1. The PBR of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the equity attributable to the owners of the respective companies disclosed in the respective latest financial reports.
2. The implied PBR of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the audited consolidated net asset value of the Company attributable to Shareholders of approximately HK\$130,396,000 as at 31 March 2023 as extracted from the 2023 Annual Report.
3. The PSR of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the revenue of the respective companies disclosed in the respective latest annual reports.
4. The implied PSR of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the revenue of the Company of approximately HK\$63,692,000 for the year ended 31 March 2023 as extracted from the 2023 Annual Report.

As depicted from the above table, the PBR of the Market Comparables ranged from approximately 0.08 times to approximately 5.88 times, with a median and average of approximately 0.38 times and 1.36 times. Accordingly, the implied PBR of the Offer of approximately 1.53 times is higher than the median and average of the PBR of the Market Comparables.

It is noted from the above table that the PSR of the Market Comparables ranged from approximately 0.09 times to approximately 5.30 times, with a median and average of approximately 0.65 times and 1.25 times. Accordingly, the implied PSR of the Offer of approximately 3.14 times is higher than the median and average of the PSR of the Market Comparables.

RECOMMENDATION

Mr. Chen will be nominated as an executive Director and the chairman of the Board, given Mr. Chen's background and experience in consumer goods business as well as his management experience, Mr. Chen may contribute to the business management and enhance efficiency of the Group's operations by expanding the Group's product offerings through launching more fashion accessories products and diversifying its products range to cover skincare and health products and by strengthening the Group's online and offline sales channels. However, having considered the principal factors and reasons as discussed above, in particular:

- (i) the fact that the Group had been loss-making for recorded net losses since year ended 31 March 2021 for three consecutive years. Notwithstanding the financial performance of the Company demonstrated an improvement form for the latest years, as stated in sub-section headed "2. Future Plan and Prospects" above, we considered that the consumer goods industry in the U.S. remains uncertainty and we believe the business and operation environments of the Group will remain challenging;

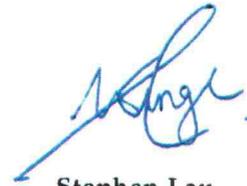
- (ii) the Offer Price of HK\$0.1812 is at a price level higher than the daily closing prices of the Shares for 185 out of 264 trading days as quoted on the Stock Exchange during the Review Period. Although the Offer Price represented a discount of approximately 41.5% to the closing price of the Shares as at the Latest Practicable Date of HK\$0.310 per Share, there is no guarantee on whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and/or after the Offer Period;
- (iii) given the low liquidity of the Shares, the 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 Offer Price represents a premium of approximately 53.42% to the audited consolidated net asset value of approximately HK\$0.1181 per Share as at 31 March 2023;
- (v) the implied PBR and PSR of the Offer are higher than the average and median of the PBR and PSR of the Market Comparables; and

we are of the opinion that the terms of the Offer and the Offer Price are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

We would like to remind the Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offer in view of the historical low liquidity of the Shares.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Amasse Capital Limited



Stephen Lau
Director

Note: Mr. Stephen Lau ("Mr. Lau") is a licensed person registered with the SFC and a responsible officer of Amasse Capital to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital to carry out Type 1 (dealing in securities) regulated activities under the SFO. Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and he has over 10 years of experience in the finance industry.