

# ALTUS CAPITAL LIMITED

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

27 June 2023

*To the Independent Board Committee and the Independent Shareholders*

## **Apollo Future Mobility Group Limited**

Units 2001–2002, 20/F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Sheung Wan  
Hong Kong

Dear Sirs,

## **SPECIAL DEAL, DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE INTEREST IN THE TARGET COMPANY**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 27 June 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 30 December 2022 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Buyer, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, for a total Disposal Consideration of HK\$408,000,000. As at the Latest Practicable Date, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Disposal Completion, the Company will cease to hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal Agreement and the Disposal contemplated thereunder exceed 5% but is less than 25%, the Disposal Agreement and the Disposal contemplated thereunder constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements, but is exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Buyer was wholly owned by Mr. Shen, a non-executive Director and substantial shareholder of the Company, and is therefore a connected person of the Company. As such, the Disposal Agreement and the Disposal contemplated thereunder also constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **TAKEOVERS CODE IMPLICATIONS**

Reference is made to the RTO Announcement. Since the Disposal Agreement is an agreement entered into between the Seller and the Buyer, which is wholly owned by Mr. Shen (who directly and indirectly, together with Ms. Wang Lei, his spouse, held 30.82% of the total issued shares of WM Motor, which in turn holds approximately 23.67% of the entire issued share capital of the Company), a substantial shareholder of the Company and a party acting in concert with WM Motor under the Takeovers Code, when the Whitewash Waiver was reasonably in contemplation and which is not capable of being extended to all Shareholders, the Disposal Agreement and the Disposal contemplated thereunder constitute special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. The consent of the Executive to the special deal, if granted by the Executive, will be subject to (i) the independent financial adviser publicly stating that in its opinion the terms of the Disposal Agreement and the Disposal contemplated thereunder are fair and reasonable; and (ii) the approval of the Disposal Agreement and the Disposal contemplated thereunder (as a special deal) by the Independent Shareholders by way of poll at the Disposal EGM.

## **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Teoh Chun Ming, Mr. Peter Edward Jackson, Mr. Charles Matthew Pecot III and Ms. Hau Yan Hannah Lee, has been established to advise the Independent Shareholders as to whether (i) the entering into of the Disposal Agreement and the Disposal contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the Disposal EGM to approve the Disposal Agreement and the Disposal as contemplated thereunder, taking into account the recommendation from the Independent Financial Adviser.

## **THE WHITEWASH INDEPENDENT BOARD COMMITTEE**

The Whitewash Independent Board Committee comprising the non-executive Director who has no direct or indirect interest in the Disposal, namely Mr. Wilfried Porth and all the independent non-executive Directors, namely Mr. Teoh Chun Ming, Mr. Peter Edward Jackson, Mr. Charles Matthew Pecot III and Ms. Hau Yan Hannah Lee, has been formed for the purpose of advising the Independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder which constitutes a special deal under Rule 25 of the Takeovers Code.

## **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser, our role is to give an independent opinion to

- (i) the Independent Board Committee and the Independent Shareholders as to whether (a) the entering into of the Disposal Agreement and the Disposal contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (b) the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (c) how the Independent Shareholders should vote in respect of the proposed resolution at the Disposal EGM to approve the Disposal Agreement and the Disposal as contemplated thereunder; and
- (ii) the Whitewash Independent Board Committee as to whether the terms of the Disposal which constitutes a special deal under Rule 25 of the Takeovers Code, are fair and reasonable so far as the Independent Shareholders are concerned.

We (i) are not associated or connected, financial or otherwise, with the Company or WM Motor, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and we have not acted as the financial adviser or independent financial adviser in relation to any transactions of the Company or WM Motor, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them in the last two years prior to the date of the Circular.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the terms of the Disposal Agreement and the Disposal as contemplated thereunder is at market level and not conditional upon successful passing of the resolution, (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or WM Motor, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee and the Whitewash Independent Board Committee, we are independent of and not associated with the Company or WM Motor, their respective controlling shareholder(s) (if any) or any parties acting in concert with any of them and can act as the Independent Financial Adviser in respect of the Disposal and the special deal.

## **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the Disposal Agreement; (ii) the annual report for the 15 months ended 31 December 2022 of the Company (the “**2022 Annual Report**”); (iii) the interim report for the 12 months ended 30 September 2022 of the Company (the “**September 2022 Interim Report**”); (iv) the annual report for the year ended 30 September 2021 of the Company (the “**2021 Annual Report**”); (v) the audited financial statements of the Target Company for the year ended 30 September 2022; (vi) the supplemental announcement of the Company dated 11 January 2023 (the “**Supplemental Announcement**”); and (vii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code up to the date of the Disposal EGM. Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular, and information relating to the Group provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Background information of the Group, the Target Company and the Buyer**

#### ***1.1. Principal businesses of the Group***

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are (i) designing, developing, manufacturing and sales of high performance hypercars and luxury smart EVs and provision of mobility technology solutions; (ii) retailing and wholesale of jewellery products, watches and other commodities; and (iii) money lending.

## 1.2. Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the 2022 Annual Report.

Table A — Extract of consolidated statement of profit or loss

	<b>For the fifteen months ended 31 December 2022 (Note) HK\$'000 (audited) (Note)</b>	<b>For the year ended 30 September 2021 HK\$'000 (audited)</b>
Revenue	774,888	528,559
Gross profit	159,709	131,508
Other gains/(losses), net	523,779	(40,230)
Profit/(loss) for the period/year	266,359	(359,353)

*Note:* The Company announced the change of the financial year end date from 30 September to 31 December on 22 August 2022. Following the change of financial year end date, the Company published unaudited interim results for the 12 months ended 30 September 2022 and audited annual results for the 15 months ended 31 December 2022 and will publish unaudited interim results for the six months ending 30 June 2023.

For the 15 months ended 31 December 2022, revenue of the Group increased to approximately HK\$774.9 million as compared to approximately HK\$528.6 million for the year ended 30 September 2021, representing an increase of approximately 46.6%.

Other gains/losses, net mainly comprised: (i) the fair value gains of approximately HK\$439.3 million for the 15 months ended 31 December 2022 (year ended 30 September 2021: HK\$21.9 million) on financial assets at fair value through profit or loss due to changes in market conditions; (ii) impairment of goodwill of approximately HK\$107.8 million for the 15 months ended 31 December 2022 (year ended 30 September 2021: Nil) due to the Ideenion Disposal (as defined below); and (iii) fair value gains on contingent consideration payables of approximately HK\$274.9 million for the 15 months ended 31 December 2022 (year ended 30 September 2021: losses of approximately HK\$56.0 million) arising from the Group's acquisitions due to the changes in share price of the Company as at the valuation dates and the Ideenion Disposal.

The fair value gains on contingent consideration payables of approximately HK\$274.9 million for the 15 months ended 31 December 2022 were the combined effects of:

- (i) The contingent consideration payable as at 30 September 2021 relating to the acquisition of 86.06% of the total issued share capital of Sino Partner Global Limited in March 2020 (“**Apollo Acquisition**”) was approximately HK\$742.9 million, the fair value of which was based on the share price of the Company as at 30 September 2021 of HK\$0.51 per share. The consideration shares were then issued during the 15 months ended 31 December 2022. The share price as at the issue date was HK\$0.315 per share and the fair value of the consideration shares was approximately HK\$521.4 million. The fair value difference between these valuation dates was credited to profit or loss as fair value gain.
- (ii) The contingent consideration payable as at 30 September 2021 relating to the acquisition of the entire issued share capital of Ideenion Automobil AG (“**Ideenion**”) was approximately HK\$53.5 million. On 23 December 2022, the Company entered into an agreement to dispose of the entire share capital of Ideenion. The Company also entered into an agreement with the former vendors of Ideenion that the Company would no longer be required to pay the contingent consideration, and hence the whole amount of the related contingent consideration payable was recorded as a fair value gain during the 15 months ended 31 December 2022. For details of the change of contingent consideration, please refer to note 2 under the paragraph headed “1.3 Recent development and outlook of the Group” in this letter below.

Profit attributable to owners of the Company for the 15 months ended 31 December 2022 turned around to approximately HK\$263.5 million from the loss of approximately HK\$349.6 million for the year ended 30 September 2021 due to the combined effect of increase in revenue and change in other gains/losses.

*Table B — Extract of consolidated statement of financial position*

	<b>As at 31 December 2022</b>	<b>As at 30 September 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
	<i>(Note)</i>	
Net assets	4,260,786	3,639,582
Cash and cash equivalents	52,528	150,053
Gearing ratio <i>(Note)</i>	2.1%	3.4%

*Note:* Gearing ratio is calculated as total interest-bearing bank borrowings (other than convertible bonds) divided by total equity.

The net assets of the Group increased to approximately HK\$4.3 billion as at 31 December 2022 as compared to approximately HK\$3.6 billion as at 30 September 2021. The contingent consideration payable as at 30 September 2021 relating to the Apollo Acquisition was approximately HK\$742.9 million. During the 15 months ended 31 December 2022, the contingent shares were issued to the vendor of the Apollo Acquisition, resulting the increase in net assets of the Group. The cash and cash equivalents decreased from approximately HK\$150.1 million as at 30 September 2021 to approximately HK\$52.5 million as at 31 December 2022. The decrease in cash and cash equivalents of approximately HK\$97.5 million was mainly due to (i) the net cash flow used in operating activities of approximately HK\$65.0 million for the 15 months ended 31 December 2022; (ii) the net cash flow used in investing activities of approximately HK\$91.4 million for the 15 months ended 31 December 2022; (iii) the net cash flow generated from financing activities of approximately HK\$93.4 million for the 15 months ended 31 December 2022; and (iv) that approximately HK\$28.8 million of cash and cash equivalents of Ideenion and the Target Company were included in assets of the disposal groups classified as held for sale as at 31 December 2022. The gearing ratio was relatively low at 2.1% as at 31 December 2022 (3.4% as at 30 September 2021).

*Table C — Extract of segment information*

Segment revenue/results	Mobility technology solutions HK\$'000	Jewellery products, watches and other commodities HK\$'000	Money lending HK\$'000	Others HK\$'000	Total HK\$'000
<b>For the fifteen months ended 31 December 2022 (audited)</b>					
Segment revenue (revenue from external customers)	218,819	507,760	48,309	—	774,888
Percentage of segment revenue to total revenue	28.2%	65.6%	6.2%	—	
Segment results	530,545	(25,784)	(23,124)	—	481,637
<b>For the year ended 30 September 2021 (audited)</b>					
Segment revenue (revenue from external customers)	104,845	377,246	45,115	1,353	528,559
Percentage of segment revenue to total revenue	19.8%	71.4%	8.5%	0.3%	
Segment results	(58,480)	(47,577)	6,197	1,353	(98,507)

During the 15 months ended 31 December 2022, revenue from the mobility technology solutions segment increased due to (i) the licensing income from the license of vehicular platform; and (ii) the revenue from engineering service

outsourcing. Sales of jewellery products, watches and other commodities increased due to improved sentiment in the PRC market. Income from loan financing remained relatively stable.

As shown in “Table C — extract of segment information”, it is noted that:

- (i) the segment results relating to mobility technology solutions improved substantially from a loss of approximately HK\$58.5 million for the year ended 30 September 2021 to a profit of approximately HK\$530.5 million for the 15 months ended 31 December 2022. Such increase was mainly due to (i) the fair value gains on the related financial assets at fair value through profit or loss of approximately HK\$423.7 million (year ended 30 September 2021: HK\$69.2 million); and (ii) the fair value gains on contingent consideration payables of approximately HK\$274.9 million (year ended 30 September 2021: fair value losses of approximately HK\$56.0 million);
- (ii) the segment results relating to jewellery products, watches and other commodities also improved from a loss of approximately HK\$47.6 million for the year ended 30 September 2021 to a loss of approximately HK\$25.8 million for the 15 months ended 31 December 2022. Such improvement, though still recorded a loss, was mainly due to the improved revenue as a result of the improved sentiment in the PRC market; and
- (iii) the segment results relating to money lending worsened from a profit of approximately HK\$6.2 million for the year ended 30 September 2021 to a loss of approximately HK\$23.1 million for the 15 months ended 31 December 2022. Such loss was mainly due to the increase in impairment of loans receivable to HK\$38.8 million (year ended 30 September 2021: HK\$12.5 million).

The revenue generated by the money lending business accounted for a small portion of the total revenue for the year ended 30 September 2021 and the 15 months ended 31 December 2022, being approximately 8.5% and 6.2% respectively. The money lending business recorded negative segment results of approximately HK\$23.1 million for the 15 months ended 31 December 2022 due to the reason explained above. Such segment loss was material as compared to the overall net profit of approximately HK\$266.4 million for the 15 months ended 31 December 2022 as shown above.

### ***1.3. Recent development and outlook of the Group***

On 23 December 2022, the Company (as seller) entered into an agreement with Mobility Technology Group Inc. (as buyer<sup>(Note 1)</sup>), pursuant to which the Company had conditionally agreed to sell and the buyer had conditionally agreed to acquire the entire issued share capital of Ideenion for a total cash consideration of EUR15,000,000 (equivalent to approximately HK\$124,350,000) (“**Ideenion Disposal**”). Following the completion of such disposal on 22 February 2023, the Company is no longer required to

pay any cash consideration or allot and issue consideration shares to the former shareholders of Ideenion<sup>(Note 2)</sup>. Given that the principal business of Ideenion group is the design, development and prototyping of internal combustion engine vehicles and new energy vehicles, including vehicle components and accessories for vehicles, we noted that such disposal was in line with the Company's strategic plan on electrification as the Group persists in developing its own branded luxury smart electric passenger cars.

*Notes:*

1. *As disclosed in an announcement of the Company dated 23 December 2022, the buyer is a company incorporated in the Cayman Islands with limited liability. To the best knowledge of the Directors, the buyer is principally engaged in investment holding. The buyer is held as to 35.72% by MTG Holding Inc., as to 32.14% by FIC Global, Inc., a company listed on Taiwan Stock Exchange (stock code: 3701), and as to 32.14% by Wistron Corporation, a company listed on Taiwan Stock Exchange (stock code: 3231).*

*MTG Holding Inc. is held by a number of shareholders and there are six shareholders, each holding 16% of the issued share capital of MTG Holding Inc. Amongst these six shareholders, three of them are Mr. Mirko Konta, a former executive Director, Mr. Sung Kin Man, a former executive Director and former chief executive officer of the Company and Mr. Lorenz Loew, the holder of 25% of issued share capital of Ideenion Design AG. As of 23 December 2022, being the date of the Company entering into the agreement of the Ideenion Disposal, each of Mr. Mirko Konta, Mr. Sung Kin Man and Mr. Lorenz Loew was a connected person of the Company but MTG Holding Inc. and the buyer were not connected persons of the Company.*

*To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, the buyer and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.*

2. *As disclosed in the circular of the Company dated 24 December 2020, (i) the Company (as buyer) and (ii) Mr. Mirko Konta, Mr. Werner Handl and Mr. Nigel Westwood (as vendors) entered into an acquisition agreement dated 31 October 2019 (the "**Ideenion Acquisition Agreement**", as supplemented by five supplemental agreements thereafter), in relation to the proposed acquisition of the entire issued share capital of Ideenion (the "**Ideenion Acquisition**") at an aggregate consideration of up to approximately EUR36.0 million. Such consideration comprises:*
  - (a) *initial consideration price of EUR15 million payable in cash; and*
  - (b) *further consideration price of up to (i) EUR4.2 million cash and (ii) up to EUR16.8 million in consideration shares of the Company payable in three tranches.*

*Each tranche would be settled no later than one month after the date of the audited consolidated financial statements of Ideenion and its subsidiaries ("**Ideenion Group**") for the year ending 30 June 2021, 2022 and 2023 respectively provided that the net profit after tax for each year ending 30 June 2021, 2022 and 2023 equal to or more than EUR4.6 million.*

*The issue price of the consideration shares of the Company will be (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for all the Business Days in the three calendar months immediately preceding the date of allotment and issuance of the respective tranche of consideration shares; or (ii) HK\$0.52, whichever is higher. In any event, the maximum aggregate number of consideration shares to be allotted and issued to the vendors of Ideenion shall not exceed 281,080,000 Shares.*

*The abovementioned Ideenion Acquisition was completed on 10 February 2021 and the initial consideration price of EUR15 million was paid in cash.*

*Subsequently, on 23 December 2022, the Company conditionally agreed to dispose of the entire issued share capital of Ideenion to Mobility Technology Group Inc. for a cash consideration of EUR15 million. In view of the Ideenion Disposal, (i) the Company and (ii) Mr. Mirko Konta, Mr. Werner Handl and Mr. Nigel Westwood, the vendors in relation to the Ideenion Acquisition Agreement (“Former Ideenion Shareholders”) entered into the sixth supplemental agreement to the Ideenion Acquisition Agreement, pursuant to which:*

- (a) the Company and the Former Ideenion Shareholders acknowledged that:*
  - (i) the consolidated net profit after tax as shown in the audited consolidated financial statements of the Ideenion Group for the financial year ended 30 June 2021 is not more than or equal to EUR4,600,000, and the Company was not required to pay the first tranche of consideration price, including cash and allot and issue consideration shares to the Former Ideenion Shareholders; and*
  - (ii) the consolidated net profit after tax as shown in the audited consolidated financial statements of the Ideenion Group for the financial year ended 30 June 2022 is not more than or equal to EUR4,600,000, and the Company is not required to pay the second tranche of consideration price, including cash and allot and issue consideration shares to the Former Ideenion Shareholders.*
- (b) the Company and the Former Ideenion Shareholders agreed that the Company would no longer be required to pay the third tranche of consideration price, including cash and allot and issue consideration shares to the Former Ideenion Shareholders.*

*Hence, following the completion of the Ideenion Disposal on 22 February 2023, the Company is no longer required to pay any cash consideration or allot and issue consideration shares to the Former Ideenion Shareholders.*

The Group (as the seller) reached an agreement on 30 December 2022 with a company wholly-owned by Mr. Shen (as the buyer), a non-executive Director and substantial Shareholder, whereby the seller conditionally agreed to dispose of and the buyer conditionally agreed to acquire the entire issued share capital of the Target Company for a total consideration of HK\$408 million. Upon the Disposal Completion, the Group’s money lending business will be significantly downsized. The Group will continue to look for opportunities to dispose of its remaining money lending business and put its focus on its mobility business. As advised by the Management, the Group received clear feedback from market participants (including commercial lenders) that they prefer the Group to pursue a cleaner platform focus (i.e. focus on the mobility technology solutions business). Accordingly, we concur with the Management that the Disposal adheres to this business strategy and illustrates to the Shareholders and the potential investors that the Company is determined to pursue such goal, which in turn, allows the Group to have a clearer focus and concentrate on the implementation of strategies to pursue opportunities in the smart mobility industry.

In addition, the Group entered into the Acquisition Agreement on 11 January 2023 with WM Motor for the acquisition of the entire issued capital of the Acquisition Target Company, the wholly-owned subsidiary of WM Motor which owns the revenue generating operating entities of WM Motor, at a consideration of US\$2,023.27 million (equivalent to approximately HK\$15,853.71 million), and will be settled by way of allotment of and issue of consideration shares of the Company at the issue price of HK\$0.55 per Share (the “**RTO Consideration Shares**”). In addition, the Company is proposing to carry out a placing, pursuant to which the placing agent will place up to 7,123,363,636 placing shares

(“**Placing Shares**”) at the placing price of not less than HK\$0.55 per placing shares to not less than six independent placees (“**Placing**”). WM Motor is interested in 2,275,545,343 Shares, representing approximately 23.67% of the entire issued share capital of the Company. Immediately after the allotment and issue of the RTO Consideration Shares and the Placing Shares and assuming that there is no other change in the entire issued share capital of the Company as at the Latest Practicable Date to the date of completion of the RTO Transactions (including the Placing), the shareholding of WM Motor and parties acting in concert with it will increase to 32,006,797,374 Shares, representing approximately 70.25% of the entire issued share capital of the Company as enlarged by the allotment and issue of the RTO Consideration Shares and the Placing Shares. Pursuant to Rule 26.1 of the Takeovers Code, WM Motor would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

According to the 2022 Annual Report, the Group will continue to focus on development of luxury smart electric passenger cars and future mobility related technology and services by leveraging the Apollo’s brand DNA and having WM Motor as the Group’s strategic manufacturing partner. With the Apollo brand’s reputation and proprietary technology, coupled with the Group’s sales and distribution experience targeting luxury automobile segments as well as WM Motor’s experience in automobile manufacturing, the Group will continue to excel in the development of its luxury smart electric passenger car business in response to the growing desire for high performance and luxury experience in the global market through developing a range of luxury smart electric passenger car models featuring cutting-edge mobility technology, striking design and premium personalised service. With the increasing awareness of the impact that can be brought to the environment, there is a trend for consumers to switch from traditional petrol-powered vehicles to new energy vehicles. Based on data published by the China Association of Automobile Manufacturers<sup>(Note)</sup>, during the first four months of 2023, production volume and sales volume of overall passenger cars in China recorded year-on-year increases of approximately 8.6% and 6.8% respectively, while production volume and sales of new energy passenger cars during the same period both recorded year-on-year increases of approximately 42.8%, a growth rate far exceeds that of passenger cars as a whole. Taking into account Apollo’s brand reputation and proprietary technology and the increasing demand for new energy vehicles, we concur with the Management that there is growth potential in the development of its luxury smart electric passenger car business. However, we are of the view that it will inevitably be challenging for the Management going forward on the back drop of the rising inflation rate, interest rate hike trends, the precarious global economic situation and the Sino-US political and economic relationships; the Management can therefore be expected to have to manage its business cautiously.

*Note:* China Association of Automobile Manufacturers is a self-discipline and non-profit social organisation consisting of enterprises and institutions and organisations engaged in production and management of automobiles, auto parts and vehicle-related industries in China.

#### ***1.4. Background information of the Target Company***

The Target Company is principally engaged in money lending in Hong Kong.

Set out below is a table summarising certain financial information of the Target Company extracted from its audited financial statements for the year ended 30 September 2022.

*Table D — Extract of statement of profit or loss and other comprehensive income*

	<b>For the year ended 30 September 2022</b>	<b>For the year ended 30 September 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
(Loss) profit before taxation	(29,674)	10,954
(Loss) profit and total comprehensive (expense) income for the year	(24,496)	8,618

For the year ended 30 September 2022, the Target Company recorded a loss and total comprehensive expenses of approximately HK\$24.5 million as compared to a profit and total comprehensive income of approximately HK\$8.6 million for the year ended 30 September 2021. Such change was mainly attributable to the decrease in revenue by approximately HK\$10.3 million for the year ended 30 September 2022 as compared to 2021; and increase in impairment of loan receivables to approximately HK\$38.8 million for the year ended 30 September 2022 as compared to approximately HK\$12.5 million for the year ended 30 September 2021.

#### ***1.5. Background information of the Buyer and the Guarantor***

The Buyer is a company incorporated in Samoa with limited liability engaging in investment holding and wholly owned by Mr. Shen.

The Guarantor is a company with limited liability incorporated under the laws of BVI and wholly owned by Mr. Shen, who is also the sole shareholder of the Buyer. The Guarantor is an investment holding company and holds approximately 4.55% equity interest in WM Motor, which in turn is a substantial shareholder of the Company, holding approximately 23.67% of the entire issued share capital of the Company as at the Latest Practicable Date.

## 2. The Company's rationale for the Disposal

As described in the paragraph headed "Reasons for and benefits of the Disposal Agreement" of the "Letter from the Board" in this Circular, the Management expects the Disposal will be in the interests of the Company and the Shareholders as a whole. The reasons considered include, among others:

- (i) the Disposal being consistent with the Group's focus on developing its own branded luxury smart EVs and the intention to scale down legacy businesses including the money lending business, and that the Disposal allows the Group to redeploy its human resources and internal financial resources to concentrate on the mobility technology solutions business;
- (ii) as advised by the Management, the Group received clear feedback from market participants (including commercial lenders) that they prefer the Group to pursue a cleaner platform focus (i.e. focus on the mobility technology solutions business);
- (iii) the fact that based on the price discovery process undertaken by the Directors, it was found that it will be difficult in finding a willing buyer for the loan portfolio held by the Target Company without a significant discount to its book value;
- (iv) the Buyer, who is a connected person associated to a substantial shareholder of the Company, paying HK\$100 million as cash consideration on Disposal Completion indicates his confidence in the Group and the alignment of interests for mutual benefits; and
- (v) the fact that the Buyer agrees to pay an interest rate of 6.2% on the Promissory Notes which would help to defray potential loss of bargain from the portfolio under the Disposal while allowing the Group to make a clean exit from the money lending business.

To assess the reasonableness of the Management's rationale, we have considered:

- (i) the strategic positioning of the Group, which is to focus on its own branded vehicles development business riding on the smart EVs adoption trend across the globe and striving to become one of the leaders in the smart mobility services industry. The Disposal can be an opportunity to the Group to redeploy its human resources and internal financial resources to focus on the mobility technology solutions business when the need for active supervision of the money lending business does not represent an optimum use of management resources;

We concur that the money lending business is not within the supply chain of vehicles development business and may not be consistent with the Group's strategic positioning. An exit from the money lending business mitigates the inherent risks such as volatility in the operation and profitability as well as default risks from borrowers. In addition, the Management believes and we concur that the Disposal will allow the Group to redeploy its human resources and internal financial resources to focus on its own branded vehicles development business.

- (ii) the disclosures in the September 2022 Interim Report and the 2021 Annual Report, where the Group had stated its intention to gradually scale down its legacy businesses, including the money lending business, as part of its rebranding exercise, and suits investors' and commercial lenders' expectation;

We noted that Hong Kong listed companies in EV industry, such as NIO Inc. (stock code: 9866), XPeng Inc. (stock code: 9868), Li Auto Inc. (stock code: 2015) and Zhejiang Leapmotor Technology Co., Ltd. (stock code: 9863), mainly have only one reportable segment.

- (iii) the performance of the money lending business in the past two years;

Based on the 2022 Annual Report, revenue generated by the money lending business accounted for a small portion of the total revenue for the year ended 30 September 2021 and the 15 months ended 31 December 2022, being approximately 8.5% and 6.2% respectively. The money lending business recorded negative segment results of approximately HK\$23.1 million for the 15 months ended 31 December 2022. Such segment loss was material as compared to the overall net profit of approximately HK\$266.4 million for the 15 months ended 31 December 2022.

- (iv) the price discovery process undertaken by the Directors, who found that it was difficult in finding a willing buyer for the loan portfolio held by the Target Company without a significant discount to its book value; and

We have interviewed the Management responsible for the price discovery process and have reviewed a summary of feedback prepared by the financial adviser who assisted the Company in identifying potential buyers. The summary indicated that there were no positive interests from the parties approached by the financial adviser. According to the Management, the three potential buyers that have been approached by the financial adviser are engaged in money lending businesses in Hong Kong or the PRC. We noted that all three buyers have sizable business scale where two of the potential buyers are listed companies and the remaining one has applied for listing on the Stock Exchange. On this basis, we are of the view that the parties have been reasonably selected as potential buyers who may be interested in the loan portfolio of the Target Company.

- (v) the financial strength of the Buyer and the Guarantor,

Please refer to the sub-section headed "Security and credit risk" in this letter below.

we concur with the Management that the Disposal (i) will enable the Group to have a more defined platform focusing on vehicles business; (ii) is in line with the Group's published strategy to scale down its legacy businesses; and (iii) will enable the Group to mitigate risks of volatility in the operation and profitability of the Target Company and allow the Group to redeploy its internal financial resources to concentrate on the mobility technology solutions business. As such, subject to our analysis on the terms of the Disposal under the section

headed “3. Principal terms of the Disposal Agreement” in this letter below, we are of the view that the Disposal, though not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Disposal Agreement**

The principal terms of the Disposal Agreement are summarised as follows.

- Date:** 30 December 2022 (after trading hours)
- Parties:** Buyer: Innosphi Company Limited, which is wholly-owned by Mr. Shen, a non-executive Director and substantial shareholder of the Company
- Seller: Ming Fung Investment Holdings Limited, a wholly-owned subsidiary of the Company
- Assets to be disposed of:** The Sale Share, representing the entire issued share capital of the Target Company
- Disposal Consideration:** Total Disposal Consideration is HK\$408,000,000 and shall be satisfied by the Buyer in the following manner:
- within 30 Business Days from the signing of the Disposal Agreement, a sum of HK\$50,000,000, being the Initial Deposit (which shall become part payment of the Initial Cash Payment at Disposal Completion), shall be paid in cash by the Buyer to the Seller or the Seller’s nominees;
  - upon Disposal Completion, a sum of HK\$50,000,000, being the remaining balance of the Initial Cash Payment, shall be paid in cash by the Buyer to the Seller or the Seller’s nominees; and
  - upon Disposal Completion, a sum of HK\$308,000,000, being the remaining balance of the Disposal Consideration, shall be satisfied by the Promissory Note.

The Initial Deposit had been settled on 31 January 2023 in accordance with the terms of the Disposal Agreement.

#### ***3.1. The Disposal Consideration***

The Disposal Consideration was determined based on arm’s length negotiations between the parties to the Disposal Agreement with reference to, among other things: (a) the net liabilities of the Target Company of approximately HK\$9.1 million based on

its audited financial statements as at 30 September 2022; (b) the existing intra-group loan amount due from the Target Company to the Company as at 30 September 2022 of approximately HK\$415.5 million; (c) the business development and future prospects of the money lending business in Hong Kong; and (d) the business strategies and asset allocation preference of the Seller and the Buyer. The Disposal Consideration shall be fully offset against the outstanding intra-group loan amount due from the Target Company to the Company upon Disposal Completion.

To assess the fairness and reasonableness of the Disposal Consideration, we have obtained from the Management and reviewed the audited financial statements of the Target Company as at 30 September 2022. In terms of assets, we noted that the principal assets of the Target Company were loan receivables due from the borrowers, which accounted for over 90% of the total assets of the Target Company. In terms of liabilities, we noted that the principal liabilities of the Target Company were the amount due to the Company of approximately HK\$415.5 million, which accounted for over 80% of the total liabilities of the Target Company.

By reference to the audited financial information of the Target Company for the year ended 30 September 2022, the Disposal Consideration of HK\$408 million would have taken into account (a) the net liabilities of the Target Company as at 30 September 2022 of approximately HK\$9.1 million; (b) the existing intra-group loan amount due from the Target Company to the Company as at 30 September 2022 of approximately HK\$415.5 million; (c) the business development and future prospects of the money lending business in Hong Kong; and (d) the business strategies and asset allocation preference of the Seller and the Buyer. By disposing of the Target Company, the Group will eliminate net liabilities of approximately HK\$9.1 million and recoup an intra-group loan of approximately HK\$415.5 million at a Disposal Consideration of HK\$408.0 million. Therefore, subject to audit, it is expected that the Company will record a net gain on disposal of approximately HK\$1.6 million arising from the Disposal, being the difference between the amount of Disposal Consideration and the sum of (i) the net liabilities of approximately HK\$9.1 million of the Target Company as at 30 September 2022; and (ii) the amount due from the Target Company to the Company of approximately HK\$415.5 million as at 30 September 2022.

Given that (i) the principal assets of the Target Company were loan receivables which accounted for over 90% of the total assets of the Target Company; (ii) the liabilities of the Target Group were mainly amounts due to the Company; and (iii) money lending company is akin to a financial institution of which book value is a common parameter for its valuation, we are of the view that it is fair and reasonable to use (i) the net liabilities position of the Target Company; and (ii) the amount due from the Target Company to the Company, as the basis to determine the Disposal Consideration.

To further assess the reasonableness of the value of assets of the Target Company, we have obtained from the Management a list of all 17 outstanding loans provided by the Target Company to 13 corporate borrowers and one individual borrower as at 30 September 2022 and noted that:

- (i) all borrowers as at 30 September 2022 were independent third party to the Company;

- (ii) the loans have tenures ranging from one to three years. Save for two loans, the remaining ones are due by the end of 2023. We however note that eight loans had previously been extended once upon their original expiries; while three loans were extended twice. The Management advised that when considering the extension of loan tenures, the money lending team has taken into account the specific credit risk of each of the borrowers through regular review of the latest development and business operations of the borrowers, assessed their repayment abilities and reviewed the liquidity and financial conditions of the borrowers and their guarantors (where applicable);
- (iii) 12 out of 17 loans to the 13 corporate borrowers and one individual borrower as at 30 September 2022, representing approximately 70.2% in terms of the principal amount, are secured by personal guarantees provided by the relevant borrowers;
- (iv) the interest rates of the loans ranged from 6.0% to 7.5%, with an arithmetic weighted average of approximately 6.1% per annum based on loan principal amounts;
- (v) one of the loans with the principal amount of approximately HK\$28 million has been in default for over one year as at the date of the Disposal Agreement, and, having been assessed by the Management, the relevant outstanding loan receivables has been fully impaired; and
- (vi) as at 30 September 2022, the net carrying amount of the loans was approximately HK\$469.2 million. The Management has from time to time assessed the credit risk of each of the borrowers and made provision (as and when necessary). In view of the fact that (i) the loan receivables as at 30 September 2022 had factored in the credit risk at that point in time; (ii) only one out of the 17 loans was in default as at 30 September 2022 and the relevant outstanding loan receivables has been fully impaired; and (iii) the Management's confirmation that other than the one loan which has been in default as at 30 September 2022, there was no other loan in default as at the Latest Practicable Date, we are not aware of any indication that suggests the loan receivables will not be repaid.

The Disposal Consideration of HK\$408 million represents a slight premium of approximately HK\$1.6 million over approximately HK\$406.4 million, being the sum of (i) the net liabilities position of the Target Company of approximately HK\$9.1 million based on its audited financial statements as at 30 September 2022; and (ii) the amount due from the Target Company to the Company as at 30 September 2022 of approximately HK\$415.5 million.

Having considered (i) that the basis of determining the Disposal Consideration is with reference to the Target Company's asset value and liabilities, which is a reasonable approach; (ii) the price discovery process undertaken by the Directors as described in the paragraph headed "2. The Company's rationale for the Disposal" above, where we have interviewed the Management responsible for the price discovery process and have reviewed a summary of feedback prepared by the financial adviser who assisted the Company in identifying potential buyers. The summary indicated that there were no positive interests from the parties approached by the financial adviser; and (iii) the slight premium of HK\$1.6 million over the sum of net liabilities position of the Target Company and amount due from the Target Company to the Company as at 30 September 2022 as mentioned above, we are of the view that the Disposal Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### ***3.2. The payment terms of the Disposal Consideration***

The Disposal Consideration shall be satisfied by (i) an Initial Cash Payment of HK\$100 million upon Disposal Completion; and (ii) a Promissory Note with principal amount of HK\$308 million.

The principal terms of the Promissory Note are summarised below:

<b>Issuer:</b>	The Buyer
<b>Principal amount:</b>	HK\$308,000,000
<b>Maturity:</b>	One year, as may be extended by one year at the option of the Buyer
<b>Interest:</b>	An interest of 6.2% per annum, which was determined based on the average return per annum of the loan portfolio
<b>Security:</b>	Irrevocably and unconditionally guaranteed by the Guarantor, being Best Model International Limited (a company with limited liability incorporated under the laws of British Virgin Islands and wholly owned by Mr. Shen), on behalf of the Buyer to perform its obligations in accordance with the Promissory Note in favour of the Company
<b>Early repayment:</b>	The Buyer could, at its discretion, repay the Promissory Note in whole or in part prior to the maturity date and will not be subject to any premium over or discount to the payment obligations under the Promissory Note for any early repayment

**Transferability:**

The Promissory Note is not transferable or assignable unless with the prior consent of the holder or the issuer of the Promissory Note. The Promissory Note is not transferable to any connected person of the Company, unless with the prior consent of the holder or the issuer of the Promissory Note, and the Company has no plans now to transfer the Promissory Note. The Company confirms that it will comply with the applicable rule requirements under Chapter 14 and 14A under the Listing Rules in case of any transfer of the Promissory Note.

To assess the fairness and reasonableness of the payment terms of the Disposal Agreement and based on the fact that:

- (i) by entering into the Disposal Agreement, the Company is partially exiting from its money lending business by disposing of the Target Company;
- (ii) over 90% of the assets of the Target Company as at 30 September 2022 were loan receivables, which are return-generating assets; and
- (iii) HK\$308 million out of the HK\$408 million Disposal Consideration will be satisfied by the Promissory Note, which is not immediate cash payment,

we are of the view that the fairness and reasonableness of the payment terms of the Disposal Consideration can also be assessed by considering whether the Group's income would be financially worse off after entering into the Disposal Agreement. As such, we have conducted a comparison of the terms of the Promissory Note (as part of the payment terms) with the terms of the return-generating assets of the Target Company (which happened that the majority are loan receivables) as follows:

*Maturity*

The maturity of the Promissory Note is one year, which may be extended by one year at the option of the Buyer. In the event that the Buyer decides to extend the maturity by another year, the remaining Disposal Consideration of HK\$308 million shall be payable in two years along with the accrued interests. Based on our review of the list of loans in the Target Company's portfolio as at 30 September 2022, while most loans shall be due by the end of 2023, the majority of such loans have previously been extended once or twice upon their original due dates, and there is no assurance that the borrowers will not request for further extension. On this basis, we are of the view that the tenure of the Promissory Note of up to two years is not materially different from those of the loan portfolio.

### *Interest rate*

The interest rate of 6.2% per annum is determined based on the average return per annum of the loan portfolio. We noted that the arithmetic weighted average of the interest rate of the loan portfolio of the Target Company is approximately 6.1% per annum based on the loan principal amounts. Therefore, we are of the view that the interest rate of the Promissory Note is fair and reasonable.

### *Security and credit risk*

The Buyer is a company incorporated in Samoa with limited liability engaging in investment holding and wholly owned by Mr. Shen. The Promissory Note is irrevocably and unconditionally guaranteed by Best Model International Limited (a company with limited liability incorporated under the laws of BVI and wholly owned by Mr. Shen), which is also the sole shareholder of the Buyer. Since the Guarantor is also wholly owned by Mr. Shen and has identifiable assets, our analysis focuses on the financial standing of the Guarantor.

Based on the Supplemental Announcement, the Guarantor is an investment holding company and holds approximately 4.55% equity interest in WM Motor, which in turn is a substantial shareholder of the Company, holding approximately 23.67% of the entire issued share capital of the Company as at the Latest Practicable Date. WM Group is a pioneer in bringing innovative smart EV technologies to China's mainstream market. WM Group is the first EV automaker in China to have established its own manufacturing facilities and the brand of the WM Group is aiming to deliver smart EVs that offer safe and reliable performance, consistent quality and superior user experience at affordable prices in China.

We have endeavoured to assess the financial standing of the Guarantor based on the information made available to us.

For illustration purpose, we noted that

- (i) as at the Latest Practicable Date, the Guarantor held approximately 4.55% equity interest in WM Motor, which in turn is a substantial shareholder of the Company holding approximately 23.67% of the entire issued share capital of the Company. The value of such indirect interest in the Shares was approximately HK\$13.9 million as at the Latest Practicable Date;
- (ii) as at the Latest Practicable Date, the Guarantor held approximately 4.55% shares of WM Motor, which directly and wholly owns the Acquisition Target Company. The value of such indirect interest in the Acquisition Target Company was approximately US\$92.1 million (equivalent to approximately HK\$721.3 million) based on its valuation under the RTO Transactions;

- (iii) based on the RTO Announcement, after the completion of the RTO Transactions, the Guarantor, as one of the shareholders of WM Motor, will receive distribution of the 1,393,881,172 RTO Consideration Shares from WM Motor. Based on the placing price and the issue price of the RTO Consideration Shares set out in the RTO Announcement, the value of the Guarantor's interests in the RTO Consideration Shares is approximately HK\$766.6 million. According to the Management, majority of assets of WM Motor should be held under the Acquisition Target Company. Accordingly, upon completion of the RTO Transactions and the distribution of the RTO Consideration Shares, there will remain no material assets in WM Motor;
- (iv) as advised by the Management, (a) pending the completion of the RTO Transactions, the Acquisition Agreement includes a representation given by WM Motor that it is (and will remain) the sole legal and beneficial owner of all shares of the Acquisition Target Company; and (b) as the RTO Transactions are under contemplation, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. Mr. Shen, together with his controlled corporations (including the Guarantor), are a group of controlling shareholders of WM Motor and the Acquisition Target Company and will be a group of single largest Shareholders upon completion of the RTO Transactions, and will therefore be subject to lock-up requirement under Rule 10.07 of the Listing Rules. Subject to the schedule of the RTO Transactions which is currently ongoing, and whether the Buyer will exercise its option to extend the term of the Promissory Note, the aforesaid lock-up period may or may not expire before the end of term of the Promissory Note;
- (v) upon Disposal Completion, the Buyer will hold the loan portfolio in the amount of approximately HK\$415.5 million which loan repayment proceeds could be used by the Buyer to settle the Promissory Note and the interest payment; and
- (vi) since the RTO Transactions and the Whitewash Waiver and the Disposal are not inter-conditional with each other, if the RTO Transactions are not approved by the Shareholders at the RTO EGM, the Guarantor will continue to hold 4.55% shares of WM Group, which itself has substantive business operations.

Based on the above, it appears to us that the Guarantor is of sound financial standing relative to the principal amount of the Promissory Note, and we concur with the Management's view that (i) the Guarantor is capable of providing the guarantee in favour of the Company; and (ii) there is no material difference for the Company to assume the credit risk of the Promissory Note as compared with the credit risk of the borrowers under the loan portfolio.

As at 30 September 2022, 12 out of 17 loans under the portfolio, representing approximately 70.2% in terms of loan principal amount, were secured by personal guarantees provided by the relevant borrowers without other charges or collaterals. Compared with the fact that the Company will receive the Initial Cash Payment of HK\$100 million upon Disposal Completion and that the entire HK\$308 million Promissory Note will be secured by the Guarantor, we are of the view that the security of the Promissory Note provided is no less favourable to the Company compared with those currently available under the loan portfolio of the Target Company.

*Sub-section summary*

Taking into account the analysis on this sub-section, we are of the view that (i) the payment terms of the Disposal Agreement (including the Promissory Note as part of the payment arrangement) are fair and reasonable; and (ii) the terms of the Disposal Agreement and the Disposal contemplated thereunder are on normal commercial terms.

#### **4. Financial effect of the Disposal**

As described in the “Letter from the Board” contained in the Circular, subject to audit, it is expected that the Company will record a net gain on disposal of approximately HK\$1.6 million arising from the Disposal, being the difference between the amount of Disposal Consideration and (i) the net liabilities of approximately HK\$9.1 million of the Target Company as at 30 September 2022; and (ii) the amount due from the Target Company to the Company of approximately HK\$415.5 million as at 30 September 2022. As confirmed by the Management, there is no material effect on the net asset value of the Company.

Following the Disposal, the Company will lose the future interest income from the loan portfolio. Instead, the Company will be entitled to (i) the interest income from the Promissory Note, which is based on an annual interest rate similar to those under the loan portfolio held by the Target Company as at 30 September 2022 prior to the Disposal; and (ii) interest income from the HK\$100 million Initial Cash Payment, before deployment for its stated purpose.

The Company intends to use the proceeds from the Disposal for further development of its design, development, manufacturing and sales of high performance hypercars and luxury smart EVs, provision of mobility technology solutions businesses, and as general working capital of the Group.

## RECOMMENDATION

In summary, having considered the above principal factors and reasons, in particular:

- (i) the Disposal (a) will enable the Group to have a more defined platform focusing on vehicles business; (b) is in line with the Group's published strategy to scale down its legacy businesses; and (c) will enable the Group to mitigate risks of volatility in the operation and profitability of the Target Company and allow the Group to redeploy its human resources and internal financial resources to concentrate on the mobility technology solutions business;
- (ii) the Disposal Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole because (a) the basis of determining the Disposal Consideration is with reference to the Target Company's asset value and liabilities, which is a reasonable approach; (b) of the price discovery process that has been undertaken by the Directors, where we have interviewed the Management responsible for the price discovery process and have reviewed a summary of feedback prepared by the financial adviser who assisted the Company in identifying potential buyers. The summary indicated that there were no positive interests from the parties approached by the financial adviser; and (c) of the slight premium of HK\$1.6 million over the sum of net liabilities position of the Target Company and amount due from the Target Company to the Company as at 30 September 2022;
- (iii) the tenure of the Promissory Note of up to two years is not materially different from those of the loan portfolio;
- (iv) the interest rate of the Promissory Note is determined based on the average return per annum of the loan portfolio;
- (v) the security of the Promissory Note provided is no less favourable to the Company compared with those currently available under the loan portfolio of the Target Company;

we are of the view that (i) the entering into of the Disposal Agreement and the Disposal contemplated thereunder, though is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Disposal Agreement and the Disposal contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution at the Disposal EGM to approve the Disposal Agreement and the Disposal.

Given that the terms of the Disposal are fair and reasonable as explained above, we are of the view that the Disposal which constitutes a special deal under Rule 25 of the Takeovers Code is also fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Whitewash Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution at the Disposal EGM to approve the Disposal which constitutes a special deal under Rule 25 of the Takeovers Code.

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



**Jeanny Leung**  
Executive Director



**Chang Sean Pey**  
Executive Director

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*