

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Prosper One International Holdings Company Limited, you should at once hand this circular, together with the accompanying proxy form, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED**

**富一國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1470)**

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to Prosper One International Holdings Company Limited**



**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular. A letter from Opus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 47 of this circular.

A notice convening the extraordinary general meeting of Prosper One International Holdings Company Limited to be held at 6/F, Caizhi Building, Binhe New District, Dongping County, Taian City, Shandong Province, China on Tuesday, 19 April 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so desire.

Precautionary measures to be taken by Prosper One International Holdings Company Limited for better protection of the safety and health of the shareholders and participants at the meeting in light of COVID-19 are set out on page 4 of this circular. Any attendee who does not comply with the precautionary measures may be refused admission to or requested to leave the venue of the meeting. Shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the resolutions at the meeting as an alternative to attending the meeting in person. Prosper One International Holdings Company Limited will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the meeting.

25 March 2022

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## DEFINITIONS

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

“2019 CCT Agreements”	collectively, (i) the purchase agreement dated 23 September 2019 and the supply agreement dated 23 September 2019, both entered into between the Company and Ruixing, pursuant to which the Group purchased fertilisers and sold crude glycerine to the Ruixing Group, and (ii) the purchase agreement dated 23 September 2019 entered into between the Company and Nongyuan, pursuant to which the Group purchased fertilisers from the Nongyuan Group
“2022 CCT Agreements”	collectively, the 2022 Nongyuan Purchase Agreement, the 2022 Ruixing Purchase Agreement and the 2022 Ruixing Supply Agreement
“2022 Nongyuan Purchase Agreement”	the framework agreement dated 18 February 2022 entered into between the Company and Nongyuan in relation to the Nongyuan Purchases
“2022 Ruixing Purchase Agreement”	the framework agreement dated 18 February 2022 entered into between the Company and Ruixing in relation to the Ruixing Purchases
“2022 Ruixing Supply Agreement”	the framework agreement dated 18 February 2022 entered into between the Company and Ruixing in relation to the Ruixing Sales
“Announcement”	the announcement of Company dated 18 February 2022 in relation to, among other things, the Continuing Connected Transactions
“Board”	the board of Directors
“Company”	Prosper One International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed and traded on the Main Board of the Stock Exchange (stock code: 1470)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	collectively, the Nongyuan Purchases, the Ruixing Purchases and the Ruixing Sales
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company at 6/F, Caizhi Building, Binhe New District, Dongping County, Taian City, Shandong Province, China on Tuesday, 19 April 2022 at 10:00 a.m. (or the adjournment thereof) to consider and, if thought fit, approve the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping, which has been established to advise the Independent Shareholders in respect of 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps)
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps)
“Independent Shareholder(s)”	the Shareholder(s) other than those who are required to abstain from voting at the EGM for the resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) under the Listing Rules
“Latest Practicable Date”	21 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4:00 p.m. on 30 April 2022 (or such other date as agreed between the parties in writing)

## DEFINITIONS

“Nongyuan”	山東農源農資有限公司 (Shandong Nongyuan Nongzi Co., Ltd.*), a company established in the PRC and owned as to 51% by Mr. Meng Xiao (a cousin of Mr. Meng Guangyin, being an executive Director)
“Nongyuan Group”	Nongyuan and its subsidiaries
“Nongyuan Purchases”	the purchases of fertilisers by the Group from the Nongyuan Group
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Ruixing”	瑞星集團有限公司 (Ruixing Group Company Limited*), a company established in the PRC and controlled by Mr. Meng Guangyin, being an executive Director
“Ruixing Group”	Ruixing and its subsidiaries
“Ruixing Purchases”	the purchases of fertilisers by the Group from the Ruixing Group
“Ruixing Sales”	the supply of crude glycerine by the Group to the Ruixing Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* *The English translation of the Chinese names in this circular, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names.*

*The English version of this circular and the accompanying form of proxy shall prevail over the Chinese text for the purpose of interpretation.*

## PRECAUTIONARY MEASURES FOR THE EGM

In light of the COVID-19 pandemic and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree Celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she is/was not under any compulsory quarantine or medical surveillance order; (b) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (c) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the Venue as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures may be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid removal of masks; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitiser before entering the Venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on the resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

**LETTER FROM THE BOARD**



**PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED**

**富一國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1470)**

*Executive Directors:*

Mr. Meng Guangyin

*(Chairman and chief executive officer)*

Mr. Liu Guoqing *(Chief financial officer)*

Mr. Liu Jiaqiang

Mr. Li Dongpo

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Tian Zhiyuan

Mr. Lee Chun Keung

Mr. Wang Luping

*Principal place of business  
in Hong Kong:*

Level 43, AIA Tower

183 Electric Road

North Point

Hong Kong

25 March 2022

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the Announcement dated 18 February 2022 in relation to the 2022 CCT Agreements. As the 2019 CCT Agreements will expire on 30 April 2022 and the transactions with the Ruixing Group and the Nongyuan Group will continue in the foreseeable future, the Board is pleased to announce that the 2022 CCT Agreements were entered into on 18 February 2022 under which the Group will conduct the Ruixing Purchases and the Ruixing Sales with the Ruixing Group, and the Nongyuan Purchases with the Nongyuan Group for a further term of 3 years from 1 May 2022 to 30 April 2025.

## LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps for each of the Continuing Connected Transactions exceeds 5%, the entering into of the 2022 CCT Agreements (including the respective annual caps) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held to seek approval of the Independent Shareholders for each of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). The Independent Board Committee has been established to advise the Independent Shareholders on the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). Opus Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with (i) further details of the 2022 CCT Agreements; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information relating to the Group and the Directors; and (v) the notice of the EGM.

Details of the 2022 CCT Agreements are set out below:

### **THE 2022 RUIXING PURCHASE AGREEMENT**

#### **Date**

18 February 2022

#### **Parties**

- (i) The Company as purchaser; and
- (ii) Ruixing as supplier.

Ruixing is a company owned as to 46.23% by Mr. Meng Guangyin, an executive Director and the ultimate controlling shareholder of the Company interested in 600,000,000 Shares (representing 75% of the issued share capital of the Company as at the Latest Practicable Date). Accordingly, Ruixing is a connected person of the Company under Chapter 14A of the Listing Rules. The Ruixing Group is a large-scale agriculture enterprise in the PRC and its members are principally engaged in the manufacture and sale of fertilisers.

The remaining 53.77% equity interest of Ruixing is owned by more than a hundred individuals and a company with each of them holding not more than 5% of equity interest.

## LETTER FROM THE BOARD

### **Subject matter**

Pursuant to the 2022 Ruixing Purchase Agreement, members of the Ruixing Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.

### **Pricing and other terms**

The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

The reputable websites mainly refer to [www.cofeed.com](http://www.cofeed.com) and [www.sci99.com](http://www.sci99.com), which are commonly used by industry players for making reference to the prevailing market prices of fertilisers and other related products.

The Group has internal control measures in place regarding obtaining quotations from independent suppliers to ensure that the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed “Internal Controls” below for details.

### **Conditions precedent**

The 2022 Ruixing Purchase Agreement shall become effective upon fulfilment of all of the following conditions:

- (i) the Independent Shareholders having passed the ordinary resolutions approving the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder (including the annual caps);
- (ii) Ruixing having obtained all approvals for the execution of the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Ruixing Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

## LETTER FROM THE BOARD

### Annual caps

Pursuant to the 2022 Ruixing Purchase Agreement, the transaction value of the products (tax exclusive) to be purchased by the Group from the Ruixing Group must not exceed HK\$500 million, HK\$600 million and HK\$700 million for the three years ending 30 April 2023, 2024 and 2025, respectively.

The historical transaction values for the Ruixing Purchases were approximately HK\$213.4 million, approximately HK\$147.0 million and approximately HK\$241.8 million for the two years ended 30 April 2020 and 2021, and the nine months ended 31 January 2022 respectively.

The annual caps for the Ruixing Purchases were determined after taking into account:

- (i) the estimated total transaction values of the Ruixing Purchases and the Nongyuan Purchases for the year ending 30 April 2022 of approximately HK\$589.1 million, which is arrived at by annualising the unaudited total transaction value of approximately HK\$441.8 million for the nine months ended 31 January 2022;
- (ii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is determined with reference to the GDP growth rate of the PRC of approximately 8.1% in 2021. The Board expects the growth in demand of fertilisers will be generally in line with the growth of the overall economy of the PRC as the fertiliser products traded by the Group are not only used in the agriculture industry, but are also widely used by different manufacturing industries as raw materials, and therefore considers it reasonable to make reference to the GDP growth rate in determining the potential growth rate in demand of fertilisers;
- (iii) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances; and
- (iv) the Company's intention to gradually shift more purchases of fertilisers to the Ruixing Group as it possesses more production line and therefore provides a more stable supply. Therefore, the percentage of the annual cap for the Ruixing Purchases over the aggregate annual cap for the Ruixing Purchases and the Nongyuan Purchases is expected to increase to approximately 71.4%, approximately 80.0% and approximately 87.5% for the three years ending 30 April 2023, 2024 and 2025 respectively.

## LETTER FROM THE BOARD

### THE 2022 RUIXING SUPPLY AGREEMENT

#### Date

18 February 2022

#### Parties

- (i) Ruixing as purchaser; and
- (ii) the Company as supplier.

As mentioned above, Ruixing is a connected person of the Company under Chapter 14A of the Listing Rules.

#### Subject matter

Pursuant to the 2022 Ruixing Supply Agreement, the Group shall supply crude glycerine to the Ruixing Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.

#### Pricing and other terms

The parties agree that the prices of crude glycerine shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms of the Ruixing Sales shall be on normal commercial terms and no less favourable to the Group than those offered by the Group to independent third parties.

The reputable website mainly refers to [www.chem365.net](http://www.chem365.net), which is commonly used by industry players for making reference to the prevailing market prices of crude glycerine products.

The Group has internal control measures in place regarding making reference to the Group's recent transactions with other independent customers to ensure that the pricing and other terms of the Ruixing Sales shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed "Internal Controls" below for details.

#### Conditions precedent

The 2022 Ruixing Supply Agreement shall become effective upon fulfilment of all of the following conditions:

- (i) the Independent Shareholders having passed the ordinary resolutions approving the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder (including the annual caps);

## LETTER FROM THE BOARD

- (ii) Ruixing having obtained all approvals for the execution of the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Ruixing Supply Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

### **Annual caps**

Pursuant to the 2022 Ruixing Supply Agreement, the transaction value of the products (tax exclusive) to be supplied by the Group to the Ruixing Group must not exceed HK\$35 million, HK\$40 million and HK\$45 million for the three years ending 30 April 2023, 2024 and 2025, respectively.

The historical transaction values for the Ruixing Sales were approximately HK\$4.0 million, approximately HK\$9.9 million, and approximately HK\$4.3 million for the two years ended 30 April 2020 and 2021 and the nine months ended 31 January 2022 respectively.

The annual caps for the Ruixing Sales were determined after taking into account:

- (i) the historical sales quantity of the Ruixing Sales of approximately 3,400 tonnes of crude glycerine recorded in the year ended 30 April 2021, which is considered more relevant than the significantly lower sales quantity of about 750 tonnes (1,000 tonnes if annualised) recorded in the nine months ended 31 January 2022 due to the impact of the pandemic related port disruption, delay in global shipping and lockdown policies;
- (ii) the prevailing market price of crude glycerine per tonne of around RMB7,500 at the time of entering into the 2022 Ruixing Supply Agreement, which represented an increase of more than 140% from the price of around RMB2,200 per tonne in the beginning of 2021;
- (iii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is determined with reference to the GDP growth rate of the PRC of approximately 8.1% in 2021; and
- (iv) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances.

## LETTER FROM THE BOARD

### THE 2022 NONGYUAN PURCHASE AGREEMENT

#### Date

18 February 2022

#### Parties

- (i) The Company as purchaser; and
- (ii) Nongyuan as supplier.

Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company) and as to 49% by Mr. Yang Haoju, a third party independent of the Company and its connected persons. Accordingly, Nongyuan is a connected person of the Company under Chapter 14A of the Listing Rules. The Nongyuan Group is principally engaged in the wholesale and retail sale of pesticides, fertilisers, grains and seeds, and sale of agricultural equipment and accessories.

#### Subject matter

Pursuant to the 2022 Nongyuan Purchase Agreement, members of the Nongyuan Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.

#### Pricing and other terms

The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms for the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

The reputable websites mainly refer to [www.cofeed.com](http://www.cofeed.com) and [www.sci99.com](http://www.sci99.com), which are commonly used by industry players for making reference to the prevailing market prices of fertilisers and other related products.

The Group has internal control measures in place regarding obtaining quotations from independent suppliers to ensure that the pricing and other terms of the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed “Internal Controls” below for details.

## LETTER FROM THE BOARD

### Conditions precedent

The 2022 Nongyuan Purchase Agreement shall become effective upon fulfilment of all of the following conditions:

- (i) the Independent Shareholders having passed the ordinary resolutions approving the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the annual caps);
- (ii) Nongyuan having obtained all approvals for the execution of the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Nongyuan Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

### Annual caps

Pursuant to the 2022 Nongyuan Purchase Agreement, the transaction value of the products (tax exclusive) to be purchased by the Group from the Nongyuan Group must not exceed HK\$200 million, HK\$150 million and HK\$100 million for the three years ending 30 April 2023, 2024 and 2025 respectively.

The historical transaction values for the Nongyuan Purchases were approximately HK\$310.5 million, approximately HK\$251.6 million, and approximately HK\$200.0 million for the two years ended 30 April 2020 and 2021, and the nine months ended 31 January 2022, respectively.

The annual caps for the Nongyuan Purchases were determined after taking into account:

- (i) the estimated total transaction values of the Ruixing Purchases and the Nongyuan Purchases for the year ending 30 April 2022 of approximately HK\$589.1 million, which is arrived at by annualising the unaudited total transaction value of approximately HK\$441.8 million for the nine months ended 31 January 2022;
- (ii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is with reference to the GDP growth rate of the PRC of approximately 8.1%. The Board expects the growth in demand of fertilisers will be generally in line with the growth of the overall economy of the PRC as the fertiliser products traded by the Group are not only used in the agriculture industry, but are also widely used by

## LETTER FROM THE BOARD

different manufacturing industries as raw materials, and therefore considers it reasonable to make reference to the GDP growth rate in determining the potential growth rate in demand of fertilisers;

- (iii) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances; and
- (iv) the Company's intention to gradually shift more purchases of fertilisers to the Ruixing Group as it possesses more production line and therefore provides a more stable supply. Therefore, the percentage of the annual cap for the Nongyuan Purchases over the aggregate annual cap for the Ruixing Purchases and the Nongyuan Purchases is expected to decrease to approximately 28.6%, approximately 20.0% and approximately 12.5% for the three years ending 30 April 2023, 2024 and 2025 respectively.

### INTERNAL CONTROLS

In addition to the requirements of annual review by external auditors and the independent non-executive Directors for the Group's continuing connected transactions under the Listing Rules, the Company has adopted certain control measures over the conduct of the Continuing Connected Transactions, as summarised below.

#### **Specific controls in relation to the Ruixing Purchases and the Nongyuan Purchases**

- (i) The responsible staff from the purchase department is required to obtain at least three quotations for the purchase of the same product in the same quantity from the Group's approved independent suppliers;
- (ii) the responsible staff from the purchase department will then keep the quotations in record and submit the same to the general manager of the Company for review; and
- (iii) the general manager of the Company is responsible for reviewing the quotations to ensure that the purchase price and other terms offered by the Ruixing Group or the Nongyuan Group are no less favourable to the Group than those available from other independent suppliers, and if so, he/she will approve the corresponding purchase orders.

#### **Specific controls in relation to the Ruixing Sales**

- (i) The responsible staff from the sales department is required to make reference to recent selling prices offered to other independent customers for the same product (if available), or obtain the latest market prices from reputable websites;
- (ii) the responsible staff from the sales department will then determine the selling price, keep the comparison results in record and submit the same to the general manager of the Company for review; and

## LETTER FROM THE BOARD

- (iii) the general manager of the Company is responsible for reviewing the comparison results to ensure that the selling prices and other terms offered by the Group to the Ruixing Group are no more favourable than those offered to independent customers, and if so, he/she will approve the corresponding sales transaction.

### **Monitoring annual caps**

The financial controller of the Group is responsible for monitoring the utilisation of the annual caps for the Continuing Connected Transactions. The financial controller of the Group prepares an annual caps utilisation report on a monthly basis, which will be sent to the Board for review. When the transaction amounts of the Continuing Connected Transactions are approaching their respective annual caps, the financial controller will promptly notify the Board for consideration to ensure compliance with relevant Listing Rules.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in retail and wholesale of watches in Hong Kong and sales and trading of fertilisers raw materials, fertilisers products and public consumption products in the PRC. It is the Group's ordinary and usual course of business to provide procurement services for different raw materials and products based on customer's specifications. The 2022 CCT Agreements are entered into to renew the 2019 CCT Agreements.

The Ruixing Group is a fertilisers manufacturer in the PRC. In order to reach the vast number of end-users customers which are mainly manufacturers and farmers, the Ruixing Group would sell their products through external trading agents like the Group, which has extensive network to distribute their products through the business contacts of its sales team. The Nongyuan Group is a wholesaler of fertilisers products and has been a major supplier of fertilisers for the Group to carry out its trading business. The Ruixing Purchases and the Nongyuan Purchases have been made on a back-to-back basis which is in line with industry norms. The Group procures sale orders from independent customers first and then places corresponding purchase orders with the Ruixing Group and the Nongyuan Group, while payments for the purchase amounts will be made by the Group to the Ruixing Group and the Nongyuan Group out of the prepayments made by the customers before delivery of the goods. As the Group only arranges for the provision of the goods by the suppliers to the customers and does not control the goods before they are delivered to the customer, it is considered to be acting as a trading agent and therefore the price differences in the sales and purchase orders (being a mark-up of certain percentage over the purchase sum) is recognised as revenue in the form of commission income in the financial statements of the Group according to the applicable accounting standard. The commission income generated from the Ruixing Purchases and the Nongyuan Purchases by the Group were approximately HK\$18.6 million and approximately HK\$19.9 million for the two years ended 30 April 2020 and 2021, respectively.

Crude glycerine has been procured by the Group for the Ruixing Group as raw materials for its production use as the Ruixing Group does not have the relevant qualification for the import of the raw materials. The trading arrangement for the Ruixing Sales is similar to the above. The

## **LETTER FROM THE BOARD**

commission income generated from the Ruixing Sales by the Group were approximately HK\$1.0 million and approximately HK\$1.5 million for the two years ended 30 April 2020 and 2021, respectively.

Having considered the above, the Directors (excluding the independent non-executive Directors, which their views after considering the advice from Opus Capital Limited are in the letter from the Independent Board Committee) consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, the 2022 CCT Agreements are on normal commercial terms, and the terms of the 2022 CCT Agreements (including the respective annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The text of the letter from the Independent Board Committee is set out on page 18 of this circular. The text of the letter from Opus Capital Limited is set out on pages 19 to 47 of this circular. The Independent Board Committee are of the view that (i) the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) are on normal commercial terms and fair and reasonable; (ii) the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) at the EGM.

### **LISTING RULES IMPLICATIONS**

As Ruixing is controlled by Mr. Meng Guangyin who is the controlling shareholder of the Company, Ruixing is a connected person of the Company and the Ruixing Purchases and the Ruixing Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company), Nongyuan is a connected person of the Company and the Nongyuan Purchases constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps for each of the Continuing Connected Transactions exceeds 5%, the entering into of the 2022 CCT Agreements (including the respective annual caps) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of Mr. Meng Guangyin being the controlling shareholder of Ruixing and the cousin of Mr. Meng Xiao who is the controlling shareholder of Nongyuan, Mr. Meng Guangyin has a material interest in the 2022 CCT Agreements and has abstained from voting on the Board resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder.

## **LETTER FROM THE BOARD**

Save for the above, none of the Directors had a material interest in the 2022 CCT Agreements who would otherwise be required to abstain from voting on the relevant Board resolutions approving the 2022 CCT Agreements.

The EGM will be convened and held to seek approval of the Independent Shareholders for each of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping, has been established to advise the Independent Shareholders on the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). Opus Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **THE EGM**

A notice convening the EGM to be held at 6/F, Caizhi Building, Binhe New District, Dongping County, Taian City, Shandong Province, China on Tuesday, 19 April 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. At the EGM, ordinary resolutions will be proposed to approve the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps).

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll.

A proxy form for use at the EGM is enclosed herein. Whether or not you propose to attend the EGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

As at the Latest Practicable Date, Prosper One Enterprises Limited (a company wholly owned by Mr. Meng Guangyin) holds 600,000,000 Shares (representing 75% of the issued share capital of the Company) and shall abstain from voting on the relevant resolutions at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 12 April 2022 to Tuesday, 19 April 2022, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration

## LETTER FROM THE BOARD

with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on Monday, 11 April 2022.

### RECOMMENDATION

Having considered the principal factors, reasons and the opinion of Opus Capital Limited as stated in its letter, the Board (including the independent non-executive Directors) are of the opinion that (i) the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) are on normal commercial terms and fair and reasonable; (ii) the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommend the Independent Shareholders to vote in favour of the relevant resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from Opus Capital Limited to the Independent Board Committee and the Independent Shareholders, the general information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,

For and on behalf of the Board of

**Prosper One International Holdings Company Limited**

**Meng Guangyin**

*Chairman, Chief Executive Officer and Executive Director*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED**

**富一國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1470)**

25 March 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of Prosper One International Holdings Company Limited (the “**Company**”) to the Shareholders dated 25 March 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to give recommendation to the Independent Shareholders on the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter from Opus Capital Limited set out on pages 19 to 47 of the Circular.

Having considered the principal factors, reasons and the opinion of Opus Capital Limited, we are of the view that (i) the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) are on normal commercial terms and fair and reasonable; (ii) the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) at the EGM.

Yours faithfully,

**Independent Board Committee**

**Mr. Tian Zhiyuan**  
*Independent*  
*non-executive Director*

**Mr. Lee Chun Keung**  
*Independent*  
*non-executive Director*

**Mr. Wang Luping**  
*Independent*  
*non-executive Director*

## LETTER FROM OPUS CAPITAL LIMITED

*Set out below is the text of a letter received from Opus Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for the purpose of inclusion in this circular.*



18th Floor, Fung House  
19–20 Connaught Road Central  
Central, Hong Kong

25 March 2022

*To: The Independent Board Committee and the Independent Shareholders of  
Prosper One International Holdings Company Limited*

Dear Sirs or Madams,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 25 March 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the Letter from the Board, reference is made to the Announcement dated 18 February 2022 in relation to the 2022 CCT Agreements. As the 2019 CCT Agreements will expire on 30 April 2022 and the transactions with the Ruixing Group and the Nongyuan Group will continue in foreseeable future, the Board is pleased to announce that the 2022 CCT Agreements were entered into on 18 February 2022 under which the Group will conduct the Ruixing Purchases and the Ruixing Sales with the Ruixing Group, and the Nongyuan Purchases with the Nongyuan Group for a further term of 3 years from 1 May 2022 to 30 April 2025.

As Ruixing is controlled by Mr. Meng Guangyin who is an executive Director and the ultimate controlling shareholder of the Company interested in 600,000,000 Shares (representing 75% of the issued share capital of the Company as at the Latest Practicable Date), Ruixing is a connected person of the Company and the Ruixing Purchases and the Ruixing Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As Nongyuan is a company owned as to 51% by Mr. Meng Xiao who is a cousin of Mr. Meng Guangyin (the controlling shareholder of the Company), Nongyuan is a connected person of the Company and the Nongyuan Purchases constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM OPUS CAPITAL LIMITED

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps for each of the Continuing Connected Transactions exceeds 5%, the entering into of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of Mr. Meng Guangyin being the controlling shareholder of Ruixing and the cousin of Mr. Meng Xiao who is the controlling shareholder of Nongyuan, Mr. Meng Guangyin has a material interest in the 2022 CCT Agreements and has abstained from voting on the Board resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder. Save for the above, none of the Directors had a material interest in the 2022 CCT Agreements who would otherwise be required to abstain from voting on the relevant Board resolutions approving the 2022 CCT Agreements.

The EGM will be convened and held to seek approval of the Independent Shareholders for each of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). As at the Latest Practicable Date, Prosper One Enterprises Limited (a company wholly-owned by Mr. Meng Guangyin) held 600,000,000 Shares (representing 75% of the 800,000,000 issued Shares) and shall abstain from voting on the relevant resolutions at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) are on normal commercial terms and fair and reasonable; (ii) whether the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the EGM to approve the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps). Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

### OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, the Nongyuan Group, the Ruixing Group or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted in the capacity as financial adviser or as an independent financial adviser to the Company (save for the fact that we had been engaged as the independent financial adviser to advise the Board by way of a private letter in respect of a sale and purchase agreement dated 18 February 2022 entered into between Treasure Ascent International Limited (as the vendor) and Mr. Lam Man Wah (as the purchaser) in relation to the disposal of the entire issued share capital of Fulham Corporation Limited and the

## LETTER FROM OPUS CAPITAL LIMITED

shareholder's loan owed by Treasure Ascent International Limited to Mr. Lam Man Wah, which is independent of this appointment, the details of which are set out in Announcement (the "**CT IFA Appointment**"). Apart from normal independent financial advisory fee paid or payable to us in connection with this appointment and the CT IFA Appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Nongyuan Group, the Ruixing Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's interim report (the "**2021 Interim Report**") for the six months ended 31 October ("**1H**") 2021;
- (ii) the Company's annual reports for the two years ended 30 April ("**FY**") 2020 (the "**2020 Annual Report**") and 2021 (the "**2021 Annual Report**");
- (iii) the 2022 Ruixing Purchase Agreement;
- (iv) the 2022 Ruixing Supply Agreement;
- (v) the 2022 Nongyuan Purchase Agreement; and
- (vi) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

## LETTER FROM OPUS CAPITAL LIMITED

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps), we have taken into consideration the following principal factors and reasons:

#### **1. Background information of the Group**

The Group is principally engaged in the retail and wholesale of watches in Hong Kong and sales and trading of fertilisers raw materials, fertilisers products and public consumption products in the PRC.

## LETTER FROM OPUS CAPITAL LIMITED

The following is a summary of the financial results of the Group for each of FY2020 and FY2021 and 1H2021, as extracted from the 2021 Annual Report and the 2021 Interim Report:

**Table 1: Highlights of the financial results of the Group**

	Unaudited		Audited	
	1H2021	1H2020	FY2021	FY2020
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	40,057	37,384	83,372	94,193
— Retail business of watches	25,497	24,062	53,138	68,284
— Wholesale business of watches	1,046	3,546	5,486	3,178
— Trading of fertilisers and other related products	13,656	11,589	26,389	23,781
— Elimination	(142)	(1,813)	(1,641)	(1,050)
Gross profit	21,795	17,777	44,069	44,377
Profit/(Loss) before tax	(1,951)	701	2,344	(56,179)
(Loss) for the period/year attributable to the Shareholders	(3,176)	(693)	(769)	(59,005)

Sources: the 2021 Annual Report and the 2021 Interim Report

### **FY2021**

During FY2021, the Group recorded revenue of approximately HK\$83.4 million, representing a decrease of approximately 11.5% from approximately HK\$94.2 million for FY2020. Such decrease in revenue was mainly attributable to a combined effect of (i) the increase in revenue derived from trading of fertilisers and related products by approximately 10.9% from approximately HK\$23.8 million for FY2020 to approximately HK\$26.4 million for FY2021; and (ii) revenue derived from watches business decreased from approximately HK\$70.4 million for FY2020, by approximately 19.0% to approximately HK\$57.0 million for FY2021. The decrease in revenue derived from watches business was mainly due to a sharp decline in inbound visitors to Hong Kong as a result of the COVID-19 pandemic (the “**Pandemic**”). In addition, the local consumption sentiment in Hong Kong during FY2021 was somewhat weakened by the gathering restrictions, social distancing measures and the rising unemployment rate.

The Group recorded loss attributable to the Shareholders of approximately HK\$0.8 million for FY2021, representing a significant decrease in loss of approximately 98.6% from approximately HK\$59.0 million for FY2020. The decrease in loss is mainly due to (i) subsidies of approximately HK\$2.6 million received from the Hong Kong Government in respect of the Pandemic during FY2021; (ii) a substantial decrease in depreciation of right-of-use assets and impairment loss on right-of-use assets of a total of approximately HK\$40.0 million during FY2021 as a significant portion of right-of-use assets had been

## LETTER FROM OPUS CAPITAL LIMITED

impaired in FY2020; (iii) a decrease in depreciation of property, plant and equipment of approximately HK\$4.6 million in FY2021 when compared to FY2020; and (iv) the stringent cost control measures implemented by the Group during FY2021.

### ***1H2021***

The revenue of the Group increased by approximately HK\$2.7 million or 7.2% from approximately HK\$37.4 million for 1H2020 to approximately HK\$40.1 million for 1H2021. Revenue derived from trading of fertilisers and related products business increased by approximately 18.1% from approximately HK\$11.6 million for 1H2020 to approximately HK\$13.7 million for 1H2021. Revenue derived from watches business increased by approximately 2.3% from approximately HK\$25.8 million for 1H2020 to approximately HK\$26.4 million for 1H2021.

The Group recorded loss attributable to the Shareholders of approximately HK\$3.2 million for 1H2021, representing an increase by approximately HK\$2.5 million from approximately HK\$0.7 million for 1H2020. The change was partly due to no subsidies from the Hong Kong Government in relation to the Pandemic during 1H2021.

The following is a summary of the financial positions of the Group as at 31 October 2021 and as at 30 April 2021, as extracted from the 2021 Interim Report:

**Table 2: Highlights of the financial positions of the Group**

	<b>Unaudited</b> <b>As at 31 October</b> <b>2021</b> <i>(HK\$'000)</i>	<b>Audited</b> <b>As at 30 April</b> <b>2021</b> <i>(HK\$'000)</i>
Non-current assets	15,090	17,931
Current assets	164,108	167,871
Non-current liabilities	884	1,970
Current liabilities	152,235	155,108
Net asset value (“NAV”)	26,079	28,724

*Source: the 2021 Interim Report*

As at 30 October 2021, the total assets and liabilities of the Group were approximately HK\$179.2 million and HK\$153.1 million respectively, as compared to the total assets and liabilities of approximately HK\$185.8 million and approximately HK\$157.1 million as at 30 April 2021 respectively. The Group recorded a decrease in NAV as at 31 October 2021 of approximately HK\$2.6 million or 9.2% as compared to that as at 30 April 2021.

## **2. Reasons for and benefits for the Continuing Connected Transactions**

As disclosed in the Letter from the Board, a part of the Group's principal business activities include the sales and trading of fertilisers raw materials, fertilisers products and public consumption products. It is the Group's ordinary and usual course of business to provide procurement services for different raw materials and products based on customer's specifications. The 2022 CCT Agreements are entered into to renew the 2019 CCT Agreements.

The Ruixing Group is a fertilisers manufacturer in the PRC. In order to reach the vast number of end-users customers which are mainly manufactures and farmers, the Ruixing Group would sell their products through external trading agents like the group, which has extensive network to distribute their products through the business contacts of its sales team. The Nongyuan Group is a wholesaler of fertilisers products and has been a major supplier of fertilisers for the Group to carry out its trading business. The Ruixing Purchases and the Nongyuan Purchases have been made on a back-to-back basis which, in the Management's opinion, is in line with industry norms. The Group procures sale orders from independent customers first and then places corresponding purchase orders with the Ruixing Group and the Nongyuan Group, while payments for the purchase amounts will be made by the Group to the Ruixing Group and the Nongyuan Group out of the prepayments made by the customers before delivery of the goods. As the Group only arranges for the provision of the goods by the suppliers to the customers and does not control the goods before they are delivered to the customer, it is considered to be acting as a trading agent and therefore the price differences in the sales and purchase orders (being a mark-up of certain percentage over the purchase sum) is recognised as revenue in the form of commission income in the financial statements of the Group according to the applicable accounting standard. The commission income generated from Ruixing Purchases and the Nongyuan Purchases by the Group were approximately HK\$18.6 million and approximately HK\$19.9 million for FY2020 and FY2021, respectively. Crude glycerine has been procured by the Group for the Ruixing Group as raw materials for its production use as the Ruixing Group does not have the relevant qualification for the import of the raw materials. The trading arrangement for the Ruixing Sales is similar to the above. The commission income generated from the Ruixing Sales by the Group were approximately HK\$1.0 million and approximately HK\$1.5 million for FY2020 and FY2021, respectively.

We understand from the Management that the Nongyuan Group and the Ruixing Group are both fertiliser production companies which are principally engaged in the manufacturing of their respective branded fertilisers products. Both the Nongyuan Group and the Ruixing Group do not possess business network and marketing capabilities to engage in direct trading of fertilisers products and therefore would prefer to outsource the product trading function to external trading agencies such as the Company. Such business model provides an opportunity to enable the Company to act as a trading agency of the Nongyuan Group and Ruixing Group, which in turn the Company is able to generate a stable source of revenue from the trading activities of fertilisers and other related products by leveraging on its business network. As stated in the section headed "1. Background information of the Group", the fertiliser trading

## LETTER FROM OPUS CAPITAL LIMITED

segment contributed approximately 31.7% and 34.1% of the total revenue of the Group for FY2021 and 1H2021 respectively. Furthermore, the fertiliser trading segment recorded an increase in revenue from approximately HK\$23.8 million for FY2020 to approximately HK\$26.4 million for FY2021, representing a healthy increase of 11.0% year-on-year. During 1H2021, the fertiliser trading segment further contributed an approximately HK\$13.7 million of revenue to the Group, representing a further year-on-year increase of approximately 17.8% when compared to that of approximately HK\$11.6 million for 1H2020.

As a manufacturing focused company, the Ruixing Group is a large-scale agriculture enterprise in the PRC and its members are principally engaged in the manufacture and sale of fertilisers. The Ruixing Group does not have the relevant licence for the import of the raw materials as the Ruixing Group does not engage in the import and export of goods in the PRC, the crude glycerine was therefore procured by the Group for the Ruixing Group. As stated in the 2021 Annual Report, the transaction value for the sale of crude glycerine to the Ruixing Group amounted to approximately HK\$9.9 million and HK\$4.0 million for FY2021 and FY2020 respectively, pursuant to which, the Group recognised commission income of approximately HK\$1.5 million and HK\$1.0 million for acting as an agent to these transactions for FY2021 and FY2020 respectively. With further reference to the 2021 Interim Report, the transaction value for the sale of crude glycerine amounted to approximately HK\$4.8 million and HK\$2.6 million and generated commission income of approximately HK\$0.3 million and HK\$0.4 million for 1H2021 and 1H2020 respectively.

We have conducted our own research on the fertiliser industry, we understand that the demand for the fertiliser in the PRC is mainly driven by population and grain sown area. According to the latest data from the National Bureau of Statistics of the PRC, the national grain sown area was 1.8 billion mu in 2021, representing an increase of 13.0 million mu or 0.7% over 2020, achieving growth for two consecutive years. As a result, the increase in the grain sown area helps push up the demand for fertiliser to cope with the need of an increasing population. According to the Ministry of Agriculture and Rural Affairs of the PRC, the PRC ranked first in the production of cereals, cotton, fruits and vegetables in 2019, which means feeding around 21.0% of the world population with 9.0% of its farmland. With reference to an independent research report titled “Public Summary: Medium-Term Fertilizer Outlook 2021–2025”, published in August 2021 by the International Fertilizer Association (a global fertiliser association and has a membership of more than 430 entities, encompassing companies across the fertiliser value chain from producers through traders and distributors and service providers to advisors, research organisation and non-government organisations), the global fertiliser use was estimated to be approximately 198.2 tonnes for the year of 2020/2021, representing an increase of approximately 5.2% over the previous year, which is the largest increase since 2010/2011. In addition, a report summary titled “China Fertilisers Market — Growth, Trends, COVID-19 Impact, and Forecasts” issued in 2022 (<https://www.mordorintelligence.com/industry-reports/china-fertilizers-market>) by Mordor Intelligence (a market research company based in India, partnered with over 4,000 enterprises across 20 industries) (“**Mordor Intelligence**”) suggests that the PRC fertilisers market is projected to register a compound annual growth rate (“**CAGR**”) of approximately 4.4% from 2021 to 2026.

## LETTER FROM OPUS CAPITAL LIMITED

Based on the above, in particular, (i) the historical growth and the healthy financial performance recorded in the fertiliser trading segment; (ii) the stable growth expected of the fertilisers market in the PRC; (iii) the momentum of growth is anticipated to continue throughout the coming years; and (iv) the sale of crude glycerine to the Ruixing Group have been of regular occurrence under the term of the 2019 CCT Agreements which in turn was able to generate stable income for the Group, we agree with the Board that it is timely and appropriate to renew the 2019 CCT Agreements to extend the terms up to 30 April 2025 with the 2022 CCT Agreements. We are also of the view that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group.

### 3. Principal terms of the CCT Agreements

#### *The 2022 Ruixing Purchase Agreement*

With reference to the Letter from the Board, the principal terms of the 2022 Ruixing Purchase Agreement are as follow:

- Date : 18 February 2022
- Parties : (i) The Company as purchaser; and  
(ii) Ruixing as supplier
- Subject matter : Pursuant to the 2022 Ruixing Purchase Agreement, members of the Ruixing Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.
- Pricing and other terms : The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

The reputable websites mainly refer to [www.cofeed.com](http://www.cofeed.com) and [www.sci99.com](http://www.sci99.com), which are commonly used by industry players for making reference to the prevailing market prices of fertilisers and other related products.

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The Group has internal control measures in place regarding obtaining quotations from independent suppliers to ensure that the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed “4. Internal control procedures and review of the Continuing Connected Transactions” below for details.

- Conditions precedent : The 2022 Ruixing Purchase Agreement shall become effective upon fulfilment of all of the following conditions:
- (i) the Independent Shareholders having passed the ordinary resolution approving the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder (including the annual caps);
  - (ii) Ruixing having obtained all approvals for the execution of the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder; and
  - (iii) the Company having obtained all approvals for the execution of the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Ruixing Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

### *Review of the principal terms*

Firstly, we note that the pricing and other terms of the 2022 Ruixing Purchase Agreement continue to follow those of the purchase agreement dated 23 September 2019 entered between the Company and Ruixing (i.e. being one of the 2019 CCT Agreements).

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Secondly, pursuant to the terms of the 2022 Ruixing Purchase Agreement, the pricing basis for urea and compound fertilisers will be determined based on arms's length negotiations between the Company and Ruixing on normal commercial terms with reference to the prevailing market prices as quoted from reputable websites. We were advised from the Management that those reputable websites are mainly referring to <http://www.cofeed.com> and <https://www.sci99.com>. According to website of (<http://www.cofeed.com>) which is hosted by 北京天下糧倉科技有限公司 (Beijing Tianxia Granary Technology Co., Ltd.\*) (“Cofeed”), we note that Cofeed is established in 2002 with its headquarter located in Beijing, Cofeed is a specialised platform providing market data, information and professional market analysis in relation to grain, oil and feed to a number of sizeable industry players including the Dalian Commodity Exchange and a number of state-owned enterprises in the PRC. Whereas the website of (<https://www.sci99.com>) is hosted by 山東卓創資訊股份有限公司 (Shandong Zhuochuang Information Co., Ltd.\*) (“SCI”), SCI is a leading intelligence provider for the PRC commodity market established in 2004, which provides commodity information, consulting and exhibition services to clients including financial institutions and commodities exchanges, government authorities, media and research institutes. SCI had provided services to more than 1.3 million clients over 30 counties including the PRC, the United States, Germany, France, Russia, India and Singapore, covering 673 commodity markets. SCI has been regarded as the national direct reporting site for commodity prices monitoring by the National Development and Reform Commission of the PRC. We consider that the market prices to be quoted from both Cofeed and SCI, are able to provide a reliable source of information to make reference for the prevailing market prices of the fertilisers products.

Lastly, based on the terms of the 2022 Ruixing Purchase Agreement, the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. According to the internal control procedures as set out in the section headed “4. Internal control procedures and review of the Continuing Connected Transactions” below, before entering into the Ruixing Purchases, with the consideration of (i) the Group's responsible purchasing department staff is required to obtain at least three quotations for the purchase of the same product (i.e. similar requirements and/or specifications) in the same quantity from the Group's approved independent suppliers; (ii) the responsible purchase department staff will then keep the quotations in record and submit the same to the general manager of the Company for review; and (iii) the general manager of the Company is responsible for reviewing the quotations to ensure the purchase price and other terms offered by the selected supplier are no less favourable to the Group than those available from other independent suppliers. For our independent review working of the Group's internal control procedures carried out under the term of the 2019 CCT Agreements, please refer to the section headed “4. Internal control procedures and review of the Continuing Connected Transactions” below.

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Based on the above, we are of the view that the pricing and other terms of the Ruixing Purchases are on normal commercial terms which are no less favourable to the Group than those available from other independent third parties.

### *Historical actual transactions amount*

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the Ruixing Purchases for FY2020 and FY2021 and for the nine months (“9M”) ended 31 January 2022; (ii) the existing annual caps of the Ruixing Purchases for each of FY2020, FY2021 and FY2022; and (iii) the respective utilisation rates of the existing annual caps of the Ruixing Purchases for each of FY2020, FY2021 and FY2022.

**Table 3: The existing annual caps and the historical actual transaction amounts of the Ruixing Purchases for FY2020, FY2021 and FY2022**

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing annual caps of the Ruixing Purchases	215,000	248,000	285,000
Historical actual transaction amounts of the Ruixing Purchases	213,365	146,970	241,752 (up to 9M2022)
Utilisation rates	99%	59%	85%

As illustrated above, the historical actual transaction amount of the Ruixing Purchases decreased by approximately 31.1% from approximately HK\$213.4 million for FY2020 to approximately HK\$147.0 million for FY2021. The utilisation rates of the Ruixing Purchases for the existing annual caps for FY2020 and FY2021 were approximately 99% and 59% respectively. As advised by the Management, the significant decrease of the historical actual transaction amount of the Ruixing Purchases during FY2021 as compared to that of FY2020 was mainly attributable to the outbreak of the Pandemic that caused disruptions to many industries in the PRC. The negative impact of the Pandemic on the economy has taken a toll on the fertiliser industry chain and resulted in a decline in the prices of urea and compound fertilisers, the strict quarantines and travel restrictions measures whether within a city or on a national level have also incurred more hurdle for the Company to manage and control the logistic scheduling.

The historical actual transaction amount of the Ruixing Purchases for 9M2022 amounted to approximately HK\$241.8 million, representing a significant rebound of approximately 64.5% from that of FY2021. Such historical actual transaction amount of the Ruixing Purchases for 9M2022 would count a utilisation rate of approximately 85% of the existing annual cap of HK\$285.0 million for FY2022. Should the historical actual transaction amount of the Ruixing Purchases for 9M2022 be annualised, the projected

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transaction amount of the Ruixing Purchases for FY2022 would amount to approximately HK\$322.3 million, which would exceed the existing annual cap of HK\$285.0 million for FY2022 by approximately 13.1%. We understand from the Management that this was mainly attributable to the effective prevention and control of the Pandemic leading to the recovery of the fertiliser industry chain.

**Table 4: The proposed annual caps of the Ruixing Purchases for FY2023, FY2024 and FY2025**

	FY2023	FY2024	FY2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ruixing Purchases	500,000	600,000	700,000

*Basis for determining the proposed annual caps of the Ruixing Purchases*

As stated in the Letter from the Board, the proposed annual caps of the Ruixing Purchases were determined after taking into account: (i) the estimated total transaction values of the Ruixing Purchases and the Nongyuan Purchases for FY2022 of approximately HK\$589.1 million, which is arrived at by annualising the unaudited total transaction value of approximately HK\$441.8 million for 9M2022; (ii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is determined with reference to the Gross Domestic Product ("GDP") growth rate of the PRC of approximately 8.1% in 2021. The Board expects the growth in demand of fertilisers will be generally in line with the growth of the overall economy of the PRC as the fertiliser products traded by the Group are not only used in the agriculture industry, but are also widely used by different manufacturing industries as raw materials, and therefore considers it reasonable to make reference to the GDP growth rate in determining the potential growth rate in demand of fertilisers; (iii) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances; and (iv) the Company's intention to gradually shift more purchases of fertilisers to the Ruixing Group as it possesses more production line and therefore provides a more stable supply. Therefore, the percentage of the annual cap for the Ruixing Purchases over the aggregate annual cap for the Ruixing Purchases and the Nongyuan Purchases is expected to increase to approximately 71.4%, approximately 80.0% and approximately 87.5% for FY2023, FY2024 and FY2025 respectively.

*Caps Computation*

In assessing the reasonableness of the proposed annual caps of the Ruixing Purchases, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the proposed annual caps of the Ruixing Purchases. We have also obtained and reviewed from the Management the computation

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worksheets for the annual caps in respect of the Continuing Connected Transactions (the “**Caps Computation**”) which is mainly based on the historical actual transaction amounts of the respective transactions. We analyse each basis as follows:

- (i) the estimated total required purchase amount for urea and compound fertilisers of approximately HK\$589.1 million for FY2022, which is based on annualising the unaudited total transaction value of approximately HK\$441.8 million under both Ruixing Purchases and Nongyuan Purchases for 9M2022. The annualised total transaction value during FY2022 for Ruixing Purchases and Nongyuan Purchases are approximately HK\$322.4 million and HK\$266.7 million respectively. According to the Caps Computation, by using the estimated total required purchase amount of approximately HK\$589.1 million as a base figure and taken into account an additional 8% of potential growth rate in demand of fertilisers and the additional 10% buffer in relation to exchange fluctuation as mentioned in (ii) and (iii) below respectively, the estimated total purchase amount of approximately HK\$700.0 million will be formulated for purchasing urea and compound fertilisers from Ruixing and Nongyuan during FY2023;
- (ii) the potential growth rate of approximately 8.0% in demand of fertilisers with reference to the GDP growth rate of the PRC of approximately 8.1% in 2021 when determining the total required purchase amount for urea and compound fertilisers from Ruixing and Nongyuan for FY2023, FY2024 and FY2025. According to the National Bureau of Statistics of China, we note that the GDP growth rate of the PRC was approximately 8.1% in 2021, attributable to a recovery from the impact of the Pandemic. In addition, we note that the PRC’s GDP grew from approximately RMB53.9 trillion in 2012 to approximately RMB114.4 trillion in 2021, representing a CAGR of approximately 7.8%. In addition, we gain further comfort knowing that: (a) the PRC fertilisers market is estimated to register a CAGR of approximately 4.4% from 2021 to 2026 as projected by Mordor Intelligence as discussed in this letter above; and (b) the unaudited total transaction value of approximately HK\$441.8 million under both Ruixing Purchases and Nongyuan Purchases for 9M2022 grew from approximately HK\$398.6 million in FY2021, representing a growth rate of approximately 10.8%. Based on the above, we consider the potential growth rate of approximately 8.0% in demand to be broadly reasonable;
- (iii) (a) an additional buffer of 10% in relation to the potential exchange rate fluctuation between RMB and HK\$ considering the volatility in recent years; and (b) the buffer for unforeseeable circumstances including the unpredictable increase in the market prices of urea and compound fertilisers product. Based on the statistics published by the State Administration of Foreign Exchange of the PRC, we note that the exchange rate between RMB and HK\$ is ranging from 1:1.12 as at the last business day of January 2020 to 1:1.23 at the last

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business day of February 2022, with the lowest point of RMB at the exchange rate of 1:1.09 at the last business day of April 2020 and June 2020, representing a decrease of approximately 12.8% from the highest point of 1:1.23 at the last business day of February 2022. Based on the above, we are of the view that it is reasonable for the Company to build in the relevant buffer of 10%; and

- (iv) the Company intends to gradually increase the purchase amount from the Ruixing Group and to reduce the Nongyuan Purchases due to the fact that the Ruixing Group is considered to be a more reliable supplier. As advised by the Management, the Ruixing Group has the competitive edge over the Nongyuan Group due to the fact that the Ruixing Group possesses relatively more production line, and will be able to deliver the required quantities of urea and compound fertilisers to the Group in a timely manner. The proposed annual caps of the Ruixing Purchases would therefore take up the majority portion of the total required purchase amount for urea and compound fertilisers, representing approximately 71.4%, 80.0% and 87.5% for FY2023, FY2024 and FY2025 respectively. We further understand from the Management that the planned allocation of shifting more purchases of urea and compound fertilisers to the Ruixing Group based on the Group's future business plan which is at the discretion of the Group.

Having considered the basis on which the proposed annual caps of the Ruixing Purchases are determined as described above, we are of the view that such annual caps are fair and reasonable so far as the Independent Shareholder are concerned.

### *The 2022 Ruixing Supply Agreement*

With reference to the Letter from the Board, the principal terms of the 2022 Ruixing Supply Agreement are as follow:

- Date : 18 February 2022
- Parties : (i) Ruixing as purchaser; and  
(ii) The Company as supplier
- Subject matter : Pursuant to the 2022 Ruixing Supply Agreement, the Group shall supply crude glycerine to the Ruixing Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.

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Pricing and other terms : The parties agree that the prices of crude glycerine shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms of the Ruixing Sales shall be on normal commercial terms and no less favourable to the Group than those offered by the Group to independent third parties.

The reputable website mainly refers to [www.chem365.net](http://www.chem365.net), which is commonly used by industry players for making reference to the prevailing market prices of crude glycerine products.

The Group has internal control measures in place regarding making reference to the Group's recent transactions with other independent customers to ensure that the pricing and other terms of the Ruixing Sales shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed "4. Internal control procedures and review of the Continuing Connected Transactions" below for details.

Conditions precedent : The 2022 Ruixing Supply Agreement shall become effective upon fulfilment of all of the following conditions:

- (i) the Independent Shareholders having passed the ordinary resolution approving the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder (including the annual caps);
- (ii) Ruixing having obtained all approvals for the execution of the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder.

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None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Ruixing Supply Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

### *Review of the principal terms*

Firstly, we note that the pricing and other terms of the 2022 Ruixing Supply Agreement continue to follow those of the supply agreement dated 23 September 2019 entered between the Company and Ruixing (i.e. being one of the 2019 CCT Agreements).

Secondly, pursuant to the terms of the 2022 Ruixing Supply Agreement, the pricing basis for the crude glycerine fertilisers will be determined based on arms's length negotiations between the Company and Ruixing on normal commercial terms with reference to the prevailing market prices as quoted from a reputable website, namely [www.chem365.net](http://www.chem365.net) ("**Chem365**"). According to the website of ([www.chem365.net](http://www.chem365.net)) which is hosted by 淄博中宇信息技术有限公司 (Zibo Zhongyu Information Technology Co., Ltd\*) ("**Zhongyu**"), we note that Zhongyu was established in 2005 and specialising in commodities advisory services and is serving enterprises from countries all over the world. The services are widely recognised by major research institutions, media and business entities in the PRC including state-owned enterprises such as PetroChina Company Limited and China Petroleum & Chemical Corporation. We consider that the market prices to be quoted from Zhongyu is able to provide a reliable source of information to make reference for the prevailing market prices of the fertilisers products. In any event, the terms and the price of Ruixing Supply offered by the Company to the Ruixing Group are no more favourable than that are available to the independent third party customers of the Group based on supplying the same fertilisers products.

Lastly, based on the terms of the 2022 Ruixing Supply Agreement, the pricing and other terms of the Ruixing Purchases shall be on normal commercial terms and no less favourable to the Group than those offered by the Group to independent third parties. According to the internal control procedures as set out in the section headed "4. Internal control procedures and review of the Continuing Connected Transactions" below, before entering into the Ruixing Sales, with the consideration of (i) when providing quotations to the Ruixing Group, the responsible sales department staff is required to make reference to the recent sales prices offered to other independent customers for the same product (if available), or obtain the latest market price from reputable websites (i.e. Zhongyu); (ii) the responsible sales department staff will then determine the sale price

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and keep the comparison results in record and submit the same to the general manager of the Company for review; and (iii) the general manager of the Company is responsible for reviewing the comparison results to ensure the sale price and other terms offered by the Group to the Ruixing Group are no more favourable than those offered to independent customers. For our independent review working of the Group's internal control procedures carried out under the term of the 2019 CCT Agreements, please refer to the section headed "4. Internal control procedures and review of the Continuing Connected Transactions" below.

Based on the above, we are of the view that the pricing and other terms of the Ruixing Sales are on normal commercial terms which are no less favourable to the Group than those offered by the Group to independent third parties.

### *Historical actual transactions amount*

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the Ruixing Sales for FY2020 and FY2021 and 9M2022; (ii) the existing annual caps of the Ruixing Sales for each of FY2020, FY2021 and FY2022; and (iii) the respective utilisation rates of the existing annual caps of the Ruixing Sales for each of FY2020, FY2021 and FY2022.

**Table 5: The existing annual caps and the historical actual transaction amounts of the Ruixing Sales for FY2020, FY2021 and FY2022**

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing annual caps of the Ruixing Sales	9,000	10,000	11,000
Historical actual transaction amounts of the Ruixing Sales	4,007	9,946	4,336 (up to 9M2022)
Utilisation rates	45%	99%	39%

As illustrated above, the historical actual transaction amount of the Ruixing Sales increased significantly by approximately 1.5 times from approximately HK\$4.0 million for FY2020 to approximately HK\$9.9 million for FY2021 but in turn reduced downward to approximately HK\$4.3 million for 9M2022, representing a decrease by approximately 56.4%. The utilisation rates of the Ruixing Sales for the existing annual caps for FY2020 and FY2021 were approximately 45% and 99% respectively. The historical actual transaction amount of the Ruixing Sales for 9M2022 amounted to approximately HK\$4.3 million, representing approximately 39.4% of the existing annual cap of HK\$11.0 million for FY2022. Should the historical actual transaction amount of the Ruixing Sales for 9M2022 be annualised, the projected transaction amount of the Ruixing Sales for FY2022 would amount to approximately HK\$5.8 million and the utilisation rate would thereby increase to approximately 52.6%.

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Based on our discussion with the Management, the main reason for the significant decrease in the actual transaction amount of the Ruixing Sales in 9M2022 as compared with FY2021 was mainly attributable to the fact that the Company imported all its crude glycerine from oversea and mainly from Brazil, the production quantity of crude glycerine in Brazil was therefore declined with very limited supply available due to the Pandemic. At the same time, the global shipping congestion was also adversely affected by the Pandemic related port disruption, the lead time of the global supply chain and in particular the shipping schedule was unstable. In this regard, the Company was unable to supply the relevant crude glycerine products to the Ruixing Group in accordance to the required schedule. Based on the combined effect of the above, the total sales amount of crude glycerine to the Ruixing Group has declined substantially. The Management expects that with the return of the supply in crude glycerine back to its normal level and the global supply chain resume from disruption, the transaction volume of crude glycerine between the Company and the Ruixing Group will gain back its usual momentum.

**Table 6: The proposed annual caps of the Ruixing Sales for FY2023, FY2024 and FY2025**

	FY2023	FY2024	FY2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ruixing Sales	35,000	40,000	45,000

*Basis for determining the proposed annual caps of the Ruixing Sales*

As stated in the Letter from the Board, the proposed annual caps of the Ruixing Sales were determined after taking into account: (i) the historical sales quantity of the Ruixing Sales of approximately 3,400 tonnes of crude glycerine recorded in FY2021, which is considered more relevant than the significantly lower sales quantity of about 750 tonnes (1,000 tonnes if annualised) recorded in 9M2022 due to the impact of the Pandemic-related port disruption, delay in global shipping and lockdown policies; (ii) the prevailing market price of crude glycerine per tonne of around RMB7,500 at the time of entering into the 2022 Ruixing Supply Agreement, which represented an increase of more than 140% from the price of around RMB2,200 per tonne in the beginning of 2021; (iii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is determined with reference to the GDP growth rate of the PRC of approximately 8.1% in 2021; and (iv) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances.

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### *Caps Computation*

In assessing the reasonableness of the proposed annual caps of the Ruixing Sales, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the proposed annual caps of the Ruixing Sales. We have also obtained and reviewed from the Caps Computation which is mainly based on the historical transaction values of the respective transactions. We analyse each basis as follows:

- (i) we note that instead of using the annualised transaction amount for FY2022, the Company has adopted the historical total sales quantity for FY2021 (i.e. 3,400 tonnes of crude glycerine) as the base figure for setting the proposed annual caps of the Ruixing Sales. We understand from the Management that due to the Pandemic-related port disruption and delay in global shipping during 9M2022, the historical actual transaction amount for FY2021 is able to provide a more reasonable and normalised base when setting the proposed annual caps of the Ruixing Sales without taking into account the unpredictable impact such as the delay in global shipping and lockdown policies around the world;
- (ii) we have independently crosschecked the market price against the information as quoted from the Bloomberg page “SSGSCEC Index” on 18 February 2022, being the date of the 2022 CCT Agreements, we note that the market price of which is slightly above RMB7,500 per tonne. In addition, we have reviewed the relevant market data titled “China Market Price: Monthly Average: Organic Chemical Material: Glycerine” published by CEIC Data (an independent database vendor founded in 1992 by a team of expert economist and analysts, which covers macro-economic, industrial and financial time series data in both developed and developing economics around the world) based on the data reported by China Petroleum and Chemical Industry Federation. We note that the average monthly market price for glycerine has recorded a continuous spiking trend from January 2021 to December 2021, indicating a monthly average of approximately RMB4,430 per tonne and RMB7,370 per tonne respectively, until recently the market price of glycerine has further increased to approximately RMB8,250 per tonne as quoted from the Bloomberg page “SSGSCEC Index” on 18 February 2022. Based on the sales quantity of crude glycerine to Ruixing Group of 3,416 tonnes and the historical actual transaction amount of HK\$9.9 million for FY2021, the average unit price in crude glycerine was approximately HK\$2,912 per tonne during FY2021. During 9M2022, based on the actual transaction amount of the Ruixing Sales of approximately HK\$4.3 million and the sales quantity of 796 tonnes, the average unit price of crude glycerine is approximately HK\$5,448 per tonne, representing a significant increase by approximately 87.1% from FY2021. Such increasing trend is in line with the market data as we mentioned above;

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- (iii) based on the Caps Computation, the proposed annual cap of HK\$35 million for FY2023 is calculated by multiplying: (a) the total sales quantity of the Ruixing Sales recorded in FY2021 of approximately 3,416 tonnes; (b) the latest unit price of HK\$7,500 per tonne in crude glycerine; (c) the potential growth of 8% per annum in demand of fertilisers from the Group's customers; and (d) the 10% buffer in relation to the potential exchange rate fluctuation between RMB and HK\$ and the unforeseeable circumstances which may arise; and
- (iv) we note that the proposed annual caps for FY2024 and FY2025 of HK\$40 million and HK\$45 million are representing growth rates of approximately 14.3% and 12.5% respectively. As advised by the Management, taken into account the significant growth rate in the historical transaction amount of the Ruixing Sales, with a CAGR of approximately 13.0% between FY2020 and FY2022. We concur with the Management's view in estimating the growth rate for FY2024 and FY2025 and the Ruixing Sales are expected to continuously increase in the next three years as discussed above.

Having considered the basis on which the proposed annual caps of the Ruixing Sales are determined as described above, we are of the view that such annual caps are fair and reasonable so far as the Independent Shareholder are concerned.

### *The 2022 Nongyuan Purchase Agreement*

With reference to the Letter from the Board, the principal terms of the 2022 Nongyuan Purchase Agreement are as follow:

- Date : 18 February 2022
- Parties : (i) The Company as purchaser; and  
(ii) Nongyuan as supplier
- Subject matter : Pursuant to the 2022 Nongyuan Purchase Agreement, members of the Nongyuan Group shall supply fertilisers such as urea and compound fertilisers to the Group based on the specifications, quantity, price and delivery date as agreed between the parties for the period from 1 May 2022 to 30 April 2025.

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Pricing and other terms : The parties agree that the prices of fertilisers shall be determined with reference to the prevailing market prices (such as quotes from reputable websites), and the pricing and other terms for the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

The reputable websites mainly refer to [www.cofeed.com](http://www.cofeed.com) and [www.sci99.com](http://www.sci99.com), which are commonly used by industry players for making reference to the prevailing market prices of fertilisers and other related products.

The Group has internal control measures in place regarding obtaining quotations from independent suppliers to ensure that the pricing and other terms of the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. Please refer to section headed “4. Internal control procedures and review of the Continuing Connected Transactions” below for details.

Conditions precedent : The 2022 Nongyuan Purchase Agreement shall become effective upon fulfilment of all of the following conditions:

- (i) the Independent Shareholders having passed the ordinary resolution approving the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder (including the annual caps);
- (ii) Nongyuan having obtained all approvals for the execution of the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder; and
- (iii) the Company having obtained all approvals for the execution of the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder.

None of the conditions above can be waived by any party. If the conditions above are not fulfilled on or before the Long Stop Date, the 2022 Nongyuan Purchase Agreement shall be terminated and no parties shall have any obligations and liabilities towards the other thereunder save for any antecedent breaches.

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As at the Latest Practicable Date, conditions precedent set out in (ii) and (iii) have been satisfied.

### *Review of the principal terms*

Firstly, we note that the pricing and other terms of the 2022 Nongyuan Purchase Agreement continue to follow those of the purchase agreement dated 23 September 2019 entered between the Company and Nongyuan (i.e. being one of the 2019 CCT Agreements).

Secondly, pursuant to the terms of the 2022 Nongyuan Purchase Agreement, the pricing basis for urea and compound fertilisers will be determined based on arms's length negotiations between the Company and Nongyuan on normal commercial terms with reference to the prevailing market prices as quoted from a reputable website (i.e. Cofeed and SCI). In any event, the terms and the price of the Nongyuan Purchases offered by Nongyuan Group to the Group are no less favourable than that are available from the independent third party suppliers of the Group based on purchasing the same fertilisers products.

Lastly, based on the terms of the 2022 Nongyuan Purchase Agreement, the pricing and other terms of the Nongyuan Purchases shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties. According to the internal control procedures as set out in the section headed "4. Internal control procedures and review of the Continuing Connected Transactions" below, before entering into the Nongyuan Purchases, with the consideration of (i) the Group's responsible purchasing department staff is required to obtain at least three quotations for the purchase of the same product (i.e. similar requirements and/or specifications) in the same quantity from the Group's approved independent suppliers; (ii) the responsible purchase department staff will then keep the quotations in record and submit the same to the general manager of the Company for review; and (iii) the general manager of the Company is responsible for reviewing the quotations to ensure the purchase price and other terms offered by the selected supplier are no less favourable to the Group than those available from other independent suppliers. For our independent review working of the Group's internal control procedures carried out under the term of the 2019 CCT Agreements, please refer to the section headed "4. Internal control procedures and review of the Continuing Connected Transactions" below.

Based on the above, we are of the view that the pricing and other terms of the Nongyuan Purchases are on normal commercial terms which are no less favourable to the Group than those available from other independent third parties.

## LETTER FROM OPUS CAPITAL LIMITED

### *Historical actual transactions amount*

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the Nongyuan Purchases for FY2020 and FY2021 and for 9M2022; (ii) the existing annual caps of the Nongyuan Purchases for each of FY2020, FY2021 and FY2022; and (iii) the respective utilisation rates of the existing annual caps of the Nongyuan Purchases for each of FY2020, FY2021 and FY2022.

**Table 7: The existing annual caps and the historical actual transaction amounts of the Nongyuan Purchases for FY2020, FY2021 and FY2022**

	FY2020	FY2021	FY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing annual caps of the Nongyuan Purchases	365,000	419,000	482,000
Historical actual transaction amounts of the Nongyuan Purchases	310,501	251,593	200,049 (up to 9M2022)
Utilisation rates	85%	60%	42%

As illustrated above, the historical actual transaction amount of the Nongyuan Purchases decreased by approximately 19.0% from approximately HK\$310.5 million for FY2020 to approximately HK\$251.6 million for FY2021 and further decreased to approximately HK\$200.0 million for 9M2022, representing a decrease by approximately 20.5%. The utilisation rates of the Nongyuan Purchases for the existing annual caps for FY2020 and FY2021 were approximately 85% and 60% respectively. The historical actual transaction amount of the Nongyuan Purchases for 9M2022 amounted to approximately HK\$200.0 million, representing approximately 41.5% of the existing annual cap of HK\$482.0 million for FY2022. Should the historical actual transaction amount of the Nongyuan Purchases for 9M2022 be annualised, the projected transaction amount of the Nongyuan Purchases for FY2022 would amount to approximately HK\$266.7 million and the utilisation rate would thereby increase to approximately 55.3%.

Based on our discussion with the Management, similar to the Ruixing Purchases, the main reason for the significant decrease in the actual transaction amount of the Nongyuan Purchases during FY2021 as compared with FY2020 was largely due to the negative impact of the Pandemic brought upon the fertiliser industry. The comparatively higher annualised actual transaction amount of the Nongyuan Purchases for FY2022 of HK\$266.7 million would represent a slight recovery and an increase of approximately 6.0% when compared to that of FY2021. We understand from the Management that, benefiting from the same reason of the Ruixing Purchases, such rebound is mainly attributable to the effective prevention and control of the Pandemic leading to the

## LETTER FROM OPUS CAPITAL LIMITED

recovery of the fertiliser industry chain. Nevertheless, such rate of increase was relatively lower as compared to the rebound of annualised transaction amount of the Ruixing Purchases for FY2022 by approximately 1.2 times from FY2021, we note that this is in line with the intention of the Groups to gradually shifting more purchases of urea and fertilisers to the Ruixing Group as mentioned above.

**Table 8: The proposed annual caps of the Nongyuan Purchases for FY2023, FY2024 and FY2025**

	FY2023	FY2024	FY2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nongyuan Purchases	200,000	150,000	100,000

*Basis for determining the proposed annual caps of the Nongyuan Purchases*

As stated in the Letter from the Board, the proposed annual caps of the Nongyuan Purchases were determined after taking into account: (i) the estimated total transaction values of the Ruixing Purchases and the Nongyuan Purchases for FY2022 of approximately HK\$589.1 million, which is arrived at by annualising the unaudited total transaction value of approximately HK\$441.8 million for 9M2022; (ii) the potential growth of 8% per annum in demand of fertilisers from the Group's customers, which is with reference to the GDP growth rate of the PRC of approximately 8.1%. The Board expects the growth in demand of fertilisers will be generally in line with the growth of the overall economy of the PRC as the fertiliser products traded by the Group are not only used in the agriculture industry, but also widely used by different manufacturing industries as raw materials, and therefore considers it reasonable to make reference to the GDP growth rate in determining the potential growth rate in demand of fertilisers; (iii) a 10% buffer for the potential exchange rate fluctuation between RMB and HK\$, potential increase in market price of the products and other unforeseeable circumstances; and (iv) the Company's intention to gradually shift more purchases of fertilisers to the Ruixing Group as it possesses more production line and therefore provides a more stable supply. Therefore, the percentage of the annual cap for the Nongyuan Purchases over the aggregate annual cap for the Ruixing Purchases and the Nongyuan Purchases is expected to decrease to approximately 28.6%, approximately 20.0% and approximately 12.5% for FY2023, FY2024 and FY2025 respectively.

*Caps Computation*

In assessing the reasonableness of the proposed annual caps of the Nongyuan Purchases, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the proposed annual caps of the Nongyuan Purchases. We have also obtained and reviewed from the Caps Computation which is mainly based on the historical transaction values of the respective transactions. We analyse each basis as follows:

## LETTER FROM OPUS CAPITAL LIMITED

For bases (i), (ii) and (iii) in determining the proposed annual caps of the Nongyuan Purchases, same analysis apply when analysed the corresponding bases (i), (ii) and (iii) in determining the proposed annual caps of the Ruixing Purchases in this letter which we do not seek to repeat here.

For basis (iv), also as mentioned above, the Company intends to gradually increase the purchase amount from the Ruixing Group and to reduce the Nongyuan Purchases due to the fact that the Ruixing Group is considered to be a more reliable supplier. As advised by the Management, the Ruixing Group has the competitive edge over the Nongyuan Group due to the fact that the Ruixing Group possesses relatively more production line comparatively, and will be able to deliver the required quantities of urea and compound fertilisers to the Group in a timely manner. The proposed annual caps of the Nongyuan Purchases would therefore only account for the minority portion of the total required purchase amount for urea and compound fertilisers, representing approximately 28.6%, 20.0% and 12.5% for FY2023, FY2024 and FY2025 respectively. We further understand from the Management that the planned allocation of shifting more purchases of urea and compound fertilisers to the Ruixing Group based on the Group's future business plan which is at the discretion of the Group. Given more allocations will be made to the Ruixing Purchases instead of the Nongyuan Purchases, the Nongyuan Purchases occupying the minority portion of the total required purchase amount for urea and compound fertilisers for FY2023, FY2024 and FY2025 is reasonable.

Having considered the basis on which the proposed annual caps of the Nongyuan Purchases are determined as described above, we are of the view that such annual caps are fair and reasonable so far as the Independent Shareholder are concerned.

#### **4. Internal control procedures and review of the Continuing Connected Transactions**

The Group has adopted certain internal control measures over the conduct of the Continuing Connected Transactions. Details of the internal control system are set out in the section headed "Internal Controls" in the Letter from the Board.

##### *Specific controls in relation to the Ruixing Purchases and the Nongyuan Purchases*

- (i) The responsible staff from the purchase department is required to obtain at least three quotations for the purchase of the same product in the same quantity from the Group's approved independent suppliers;
- (ii) the responsible staff from the purchase department will then keep the quotations in record and submit the same to the general manager of the Company for review; and

## LETTER FROM OPUS CAPITAL LIMITED

- (iii) the general manager of the Company is responsible for reviewing the quotations to ensure that the purchase price and other terms offered by the Ruixing Group or the Nongyuan Group are no less favourable to the Group than those available from other independent suppliers, and if so, he/she will approve the corresponding purchase orders.

### *Specific controls in relation to the Ruixing Sales*

- (i) The responsible staff from the sales department is required to make reference to recent selling prices offered to other independent customers for the same product (if available), or obtain the latest market prices from reputable websites;
- (ii) the responsible staff from the sales department will then determine the selling price, keep the comparison results in record and submit the same to the general manager of the Company for review; and
- (iii) the general manager of the Company is responsible for reviewing the comparison results to ensure that the selling prices and other terms offered by the Group to the Ruixing Group are no more favourable than those offered to independent customers, and if so, he/she will approve the corresponding sales transaction.

### *Monitoring annual caps*

The financial controller of the Group is responsible for monitoring the utilisation of the annual caps for the Continuing Connected Transactions. The financial controller of the Group prepares an annual caps utilisation report on a monthly basis, which will be sent to the Board for review. When the transaction amounts of the Continuing Connected Transactions are approaching their respective annual caps, the financial controller will promptly notify the Board for consideration to ensure compliance with relevant Listing Rules.

Based on the above, we have obtained the internal control manual of the Group and understand that there are stringent controls in the transaction approval and implementation process. We have reviewed, including but not limited to: (i) monthly annual caps utilisation report under the 2019 CCT Agreements; (ii) monthly updates on market prices of the fertilisers products under the 2019 CCT Agreements; (iii) the Company's half-yearly audit reviews of the Continuing Connected Transactions under the 2019 CCT Agreements; and (iv) the information on historical transaction prices of the fertilisers products under the 2019 CCT Agreements. In addition, we have assessed the fairness and reasonableness of the pricing mechanism by obtaining and reviewing three sets of price quotations based on substantially the same requirements and/or specifications for purchasing urea and compound fertilisers and supplying crude glycerine fertilisers during FY2019, FY2020 and FY2021 (the "**Review Period**") prepared by the Group under each of the 2019 CCT Agreements. Such samples were collected randomly on a yearly basis. Considering that (i) the total 24 sets of samples

## LETTER FROM OPUS CAPITAL LIMITED

were selected on a randomly basis which covered each of the 2019 CCT Agreements; and (ii) such samples are selected during the Review Period as contemplated under the 2019 CCT Agreements, we are therefore of the view that the sample collections we selected are sufficient and the sample coverage is representative. According to the samples collected, we note that each purchase/supply contract was reviewed when appropriate, by the responsible purchase department/sales department and internal audit department before the underlying contract was entered into. Besides, the prices were checked by the purchasing department independently with reference to the market price of similar fertilisers products with reference quotations from at least three independent suppliers/customers as to make sure the price would not be higher than the price charged by independent suppliers/to independent customers on similar terms. For the pricing policy of Continuing Connected Transactions, the prices will be determined with reference to the prevailing market price. In respect of the prevailing market price, the purchase department or sales department of the Company will make verbal or written enquiry with no less than three independent third party suppliers or customers for relevant fertilisers products. If the recent sale prices offered to other independent third party customers are not available, the Company will obtain the latest market price from reputable websites. We consider that the internal control procedures contained in the internal control manual of the Group are sufficient and effective to implement the Continuing Connected Transactions and are in the ordinary and usual course of business, on normal commercial terms or better.

### *Review by the external auditors and the independent non-executive Directors*

Pursuant to Rule 14A.56 of the Listing Rules, the Company must engage its external auditors to review the continuing connected transactions annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant caps have been exceeded. With reference to the 2020 Annual Report and the 2021 Annual Report, the Company had engaged Fan, Chan & Co. Limited, the independent auditors of the Company (the “**Auditors**”) to report on the continuing connected transactions in relation to the 2019 CCT Agreements (the “**Historical Transactions**”) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. We have obtained and reviewed the reports issued by the Auditors for FY2020 and FY2021 and note that the Auditors have concluded that nothing had come to their attention that caused them to believe that:

- (i) the Historical Transactions have not been approved by the Board;
- (ii) the Historical Transactions were not, in all material respects, in accordance with the pricing policies of the Group;

## LETTER FROM OPUS CAPITAL LIMITED

- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Historical Transactions; and
- (iv) the Historical Transactions have exceeded the relevant cap amounts during FY2020 and FY2021.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors must review annually the continuing connected transactions and confirm in the Company's annual report whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. We note the independent non-executive Directors have issued such confirmation in respect of the Historical Transactions in the 2020 Annual Report and the 2021 Annual Report.

Based on the above, we are of the view that the implementation of the above internal control procedures can ensure that the pricing terms of the Continuing Connected Transactions can be on normal commercial terms, fair and reasonable, and in particular, on terms that are no less favourable to the Group than those offered by/to the independent third party suppliers and customers and that the Continuing Connected Transactions are conducted as agreed in the 2022 CCT Agreements and in compliance with Chapter 14A of the Listing Rules.

### OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) are on normal commercial terms and fair and reasonable; (ii) the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the 2022 CCT Agreements and the transactions contemplated thereunder (including the respective annual caps) at the EGM.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Cheung On Kit Andrew**  
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 14 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

\* For identification purposes only.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short position in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company and/or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/nature of interest	Number of Shares (Note 1)	Percentage of the issued share capital of the Company (Note 2)
Mr. Meng Guangyin	Interest in a controlled corporation	600,000,000 (L) (Note 3)	75%

*Notes:*

- The letter "L" denotes long position in the Shares.
- The percentage of shareholding is calculated based on 800,000,000 Shares in issue as at the Latest Practicable Date.
- The 600,000,000 Shares were held under certain trust units under the Changjiang Absolute Return China Fund, in which Mr. Meng Guangyin was beneficially interested via his wholly-owned company Prosper One Enterprises Limited, and was managed by his asset and fund manager. Mr. Meng Guangyin is the sole shareholder and sole director of Prosper One Enterprises Limited and is deemed to be interested in the 600,000,000 Shares in which Prosper One Enterprises Limited is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of the Company**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity/nature of interests	Number of Shares (Note 1)	Percentage of the issued share capital of the Company (Note 2)
Prosper One Enterprises Limited (Note 3)	Beneficial owner	600,000,000 (L)	75%

Notes:

- The letter "L" denotes long position in the Shares.
- The percentage of shareholding is calculated based on 800,000,000 Shares in issue as at the Latest Practicable Date.
- Prosper One Enterprises Limited is wholly-owned by Mr. Meng Guangyin, an executive Director.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no other persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### **5. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

Opus Capital Limited                      a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Opus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Opus Capital Limited was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Opus Capital Limited did not have any interest, either directly or indirectly, in any assets which have been, since 30 April 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 30 April 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up).

#### **7. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect material interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 April 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up).

#### **8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.prosperoneintl.com>) for not less than 14 days from the date of this circular and will be available for inspection at the EGM:

- (a) the 2022 CCT Agreements;
- (b) the letter of advice from Opus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 47 of this circular; and
- (c) the written consent as referred to in the paragraph headed “5. Expert and Consent” in this appendix.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## PROSPER ONE INTERNATIONAL HOLDINGS COMPANY LIMITED

### 富一國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1470)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Prosper One International Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 6/F, Caizhi Building, Binhe New District, Dongping County, Taian City, Shandong Province, China on Tuesday, 19 April 2022 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. **“THAT**

- (a) The framework agreement (the “**2022 Ruixing Purchase Agreement**”) dated 18 February 2022 and entered into between the Company and 瑞星集團有限公司 (Ruixing Group Company Limited\*) (“**Ruixing**”, together with its subsidiaries, the “**Ruixing Group**”) in relation to the purchases of fertilisers by the Group from the Ruixing Group (a copy of which has been produced to the EGM marked “A” and initialed by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the 2022 Ruixing Purchase Agreement as stated in the circular of the Company dated 25 March 2022 (the “**Circular**”) for the years ending 30 April 2025 be and are hereby approved, confirmed and ratified; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2022 Ruixing Purchase Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the 2022 Ruixing Purchase Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

### 2. “**THAT**

- (a) The framework agreement (the “**2022 Ruixing Supply Agreement**”) dated 18 February 2022 and entered into between the Company and Ruixing in relation to the supply of crude glycerine by the Group to the Ruixing Group (a copy of which has been produced to the EGM marked “B” and initialed by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps for the transactions contemplated under the 2022 Ruixing Supply Agreement as stated in the Circular for the years ending 30 April 2025 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2022 Ruixing Supply Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the 2022 Ruixing Supply Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors’ acts as aforesaid be hereby confirm, ratified and approved.”

### 3. “**THAT**

- (a) The framework agreement (the “**2022 Nongyuan Purchase Agreement**”) dated 18 February 2022 and entered into between the Company and 山東農源農資有限公司 (Shandong Nongyuan Nongzi Co., Ltd.\*) (“**Nongyuan**”, together with its subsidiaries, the “**Nongyuan Group**”) in relation to the purchases of fertilisers by the Group from the Nongyuan Group (a copy of which has been produced to the EGM marked “C” and initialed by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the annual caps for the transactions contemplated under the 2022 Nongyuan Purchase Agreement as stated in the Circular for the years ending 30 April 2025 be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2022 Nongyuan Purchase Agreement and the transactions contemplated thereunder and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the 2022 Nongyuan Purchase Agreement as they may in his/her/their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby confirm, ratified and approved.”

By order of the Board

**Prosper One International Holdings Company Limited**

**Meng Guangyin**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 25 March 2022

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business in Hong Kong:*

Level 43, AIA Tower

183 Electric Road

North Point

Hong Kong

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. A member entitled to attend and vote at the EGM by the above notice is entitled to appoint one or more proxy to attend and subject to the provisions of the articles of association of the Company to vote on his behalf. A proxy needs not be a member but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which such proxy is so appointed.
2. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM if he/she/it so wishes. In the event of a member who has lodged a form of proxy attending the EGM in person, the form of proxy will be deemed to have been revoked.
3. In order to be valid, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, at the office of the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment.
4. For determining the entitlement of the members to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 April 2022 to Tuesday, 19 April 2022 (both dates inclusive), during which period no transfer of shares will be effected. To qualify for attending and voting at the EGM, non-registered members must lodge all transfer documents, accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 April 2022.
5. In compliance with Rule 13.39(4) of the Listing Rules, voting on all proposed resolutions set out in this notice will be decided by way of a poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
6. In case of joint holders of a share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

*As at the date of this notice, the board of directors of the Company comprises Mr. Meng Guangyin (chairman and chief executive officer), Mr. Liu Guoqing (chief financial officer), Mr. Liu Jiaqiang and Mr. Li Dongpo as the executive directors of the Company; and Mr. Tian Zhiyuan, Mr. Lee Chun Keung and Mr. Wang Luping as the independent non-executive directors of the Company.*