
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

If you have sold or transferred all your shares in Ausupreme International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.



Ausupreme International Holdings Limited

澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

DISCLOSEABLE AND CONNECTED TRANSACTION AND NOTICE OF EGM

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-17 of this circular.

A notice convening the EGM to be held at Unit 203, 2nd Floor, Block B, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Monday, 9 January 2023 at 3:00 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office 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 less than 48 hours before the time appointed for holding of the EGM (i.e. no later than 3:00 p.m. on Saturday, 7 January 2023) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

To prevent the spreading of the novel coronavirus disease 2019 (COVID-19), possible precautionary measures for each attendee at the EGM include but are not limited to:

- (1) Compulsory body temperature check
- (2) Scanning of "LeaveHomeSafe" venue QR code
- (3) Wearing of surgical face mask
- (4) No provision of refreshment, beverage and corporate gift

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Government of the HKSAR on the date of the EGM will be denied entry into the meeting venue. The Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending in person.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	IBC-1
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	IFA-1
APPENDIX I — VALUATION REPORT	I-1
APPENDIX II — GENERAL INFORMATION	II-1
NOTICE OF EGM	EGM-1

This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text of this circular will prevail.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Ausupreme International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	a cash consideration of HK\$27,453,000 to be paid by the Purchaser to the Vendors
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit 203, 2nd Floor, Block B, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Monday, 9 January 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Prof. Luk Ting Kwong, Mr. Ko Ming Kin and Dr. Wan Cho Yee, established to give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Silverbricks Securities Company Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	7 December 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
“Material Adverse Change”	any change which has a material and adverse effect on the financial or trading position, business or property or results of operations of the Target Company
“Mortgage”	mortgage of the Property
“Property”	the property located at Room C, 3/F., King Win Factory Building, 67 King Yip Street, Kwun Tong, Kowloon, Hong Kong
“Purchaser”	Nature’s Elite Limited, a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 31 October 2022 entered into between the Vendors and the Purchaser in relation to, among other things, the Acquisition
“Sale Shares”	collectively 4 ordinary shares of the Target Company held by the Vendors, representing the entire issued share capital of the Target Company as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Prof Kiu International Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr. Choy Chi Fai and 50% by Ms. Ho Ka Man as at the Latest Practicable Date
“Vendors”	Collectively, Mr. Choy Chi Fai and Ms. Ho Ka Man
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

澳至尊
AUSupreme

Ausupreme International Holdings Limited

澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

Executive Directors:

Mr. Choy Chi Fai

(Chairman and Co-Chief Executive Officer)

Ms. Ho Ka Man

(Vice Chairman and Co-Chief Executive Officer)

Mr. Ho Chun Kit, Saxony

Mr. Au Chun Kit

Independent non-executive Directors:

Prof. Luk Ting Kwong

Mr. Ko Ming Kin

Dr. Wan Cho Yee

Registered office:

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Head office and principal place

of business in Hong Kong:

Office E, 28/F., EGL Tower

83 Hung To Road

Kwun Tong, Kowloon

Hong Kong

15 December 2022

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2022 in relation to, among other things, the Sale and Purchase Agreement.

Pursuant to the terms of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration, subject to the terms and conditions of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) the valuation report in relation to the Property; and (v) a notice of EGM.

THE SALE AND PURCHASE AGREEMENT

The principal terms of Sale and Purchase Agreement are summarised as follows:

- Date:** 31 October 2022 (after trading hours of the Stock Exchange)
- Parties:** (a) the Vendors; and
- (b) the Purchaser, a direct wholly-owned subsidiary of the Company.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company as at the Latest Practicable Date. The Target Company is primarily engaged in properties investment and further details of the Target Company are set out in the section headed “Information on the Target Company” below.

As at the Latest Practicable Date, the Vendors own the entire issued share capital in the Target Company. Immediately after the Completion, the Target Company will be wholly-owned by the Purchaser, and thus the Target Company will be an indirect wholly-owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

Consideration

The Consideration for the Acquisition shall be the sum of HK\$27,453,000, which shall be payable by the Purchaser to the Vendors (or its nominee(s)) in the following manner:

- (i) HK\$20,000,000 of the Consideration shall be payable by the Purchaser to the Vendors (as to HK\$10,000,000 to Mr. Choy Chi Fai and HK\$10,000,000 to Ms. Ho Ka Man) by way of cash upon Completion; and
- (ii) HK\$7,453,000 of the Consideration shall be payable by the Purchaser to the Vendors (as to HK\$3,726,500 to Mr. Choy Chi Fai and HK\$3,726,500 to Ms. Ho Ka Man) by way of cash within three months after the Completion.

LETTER FROM THE BOARD

The Consideration was determined based on arm's length negotiations between the Vendors and the Purchaser on normal commercial terms after taking into account of, among other things, (i) the market value of the Property of approximately HK\$29,800,000 valued by an independent professional valuer as at 30 September 2022 by way of market approach; and (ii) the unaudited net current liabilities of the Target Company of approximately HK\$2,347,000 as at 30 September 2022 and the Target Company did not have any non-current liabilities. The Consideration shall be payable in cash and financed by internal resources of the Group.

The summary below shows the reconciliation of the market value of the Property valued by the independent professional valuer as at 30 September 2022 with the book value of the Property as at 30 September 2022:

	<i>HK\$</i>
Cost	13,509,000.00
Accumulated depreciation as at 30 September 2022	<u>(3,388,507.80)</u>
Net asset value as at 30 September 2022	10,120,492.20
Fair value gain for property revaluation as at 30 September 2022	<u>19,679,507.80</u>
Property fair value amount based on market value revaluation as at 30 September 2022	<u><u>29,800,000.00</u></u>

For further details of the valuation of the Property, please refer to Appendix I to this circular.

Conditions

Completion shall be conditional upon and subject to the following conditions:

- (1) all necessary consents and/or approvals from the shareholders, regulators, bankers and creditors and any other third party required to be obtained on the part of the Vendors and the Target Company in respect of the sale and purchase of the Sale Shares and the transactions thereby contemplated having been obtained and remain in full force and effect;
- (2) all necessary consents and/or approvals from the shareholders and regulators and any other third party required to be obtained on the part of the Purchaser in respect of the sale and purchase of the Sale Shares and the transactions thereby contemplated having been obtained and remain in full force and effect;
- (3) the passing by the Independent Shareholders at the EGM to be convened of the necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (4) the Purchaser being satisfied with the results of the due diligence reviews on the Target Company to be conducted;
- (5) there has not been any Material Adverse Change on the Target Company since the date of the Sale and Purchase Agreement;
- (6) the warranties given by the Vendors remaining true and accurate and not misleading; and
- (7) the obtaining of a valuation report from the valuer designated by the Purchaser confirming that the valuation of the Property is not less than HK\$29,800,000.

The Purchaser may at any time waive in writing conditions precedent set out in (4) to (6) above. If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) at or before 12:00 p.m. on 31 January 2023 (or such later date as the Vendors and the Purchaser may agree), the Sale and Purchase Agreement shall cease and determine and neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

As at the Latest Practicable Date, the above conditions (1), (2) and (7) have been fulfilled and the remaining conditions remained unfulfilled.

Completion

Completion shall take place within five Business Days after the date of fulfilment (and/or waiver) of all the conditions precedent above or such other date as the Vendors and the Purchaser may mutually agree in writing.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in Hong Kong in March 2012 with limited liability, and is primarily engaged in properties investment. As at the Latest Practicable Date, the Target Company is owned as to 50% by Mr. Choy Chi Fai and 50% by Ms. Ho Ka Man.

In 2021, the Target Company as landlord entered into a tenancy agreement with Truth & Faith International Limited, an indirect wholly owned subsidiary of the Company, as tenant in relation to the leasing of the Property at a monthly rental income of HK\$80,000 and for a term of three years from 1 July 2021 to 30 June 2024. Other than the leasing of the Property as landlord under the tenancy agreement, the Target Company has no other material operations since its incorporation. As at the Latest Practicable Date, the Target Company has no other major assets other than the Property. There was no material cost for incorporation of the Target Company by the Vendors in 2012 and the original acquisition cost of the Property paid by the Target Company was approximately HK\$12,880,000.

LETTER FROM THE BOARD

The Property is located at Room C, 3/F., King Win Factory Building, 67 King Yip Street, Kwun Tong, Kowloon, Hong Kong with total construction area of approximately 5,451 square feet. According to the valuation of the Property as set out in Appendix I to this circular performed by an independent professional valuer by way of market approach, the market value of the Property was HK\$29,800,000 as at 30 September 2022. As at the Latest Practicable Date, the Property has been mortgaged to the Bank of China (Hong Kong) Limited which is secured by a personal guarantee by Mr. Choy Chi Fai and Ms. Ho Ka Man, the outstanding balance of which was approximately HK\$3,102,000 as at 30 September 2022 and accruing at an interest rate of 2.45% per annum. Upon Completion, the personal guarantee securing the Mortgage of the Property will be released and replaced by a corporate guarantee to be provided by the Company.

Financial Information

Based on the latest financial information available to the Company as at the Latest Practicable Date, set out below are the key financial figures extracted from the financial information of the Target Company for the six months ended 30 September 2022 and the two financial years ended 31 March 2022 and 31 March 2021 respectively:

	For the six months ended 30 September 2022 HK\$'000 (Unaudited)	For the year ended 31 March 2022 HK\$'000 (Audited)	For the year ended 31 March 2021 HK\$'000 (Audited)
Net profit before taxation	222	332	78
Net profit after taxation	200	319	78
Net assets/(liabilities)	7,773	(1,781)	(2,100)

The unaudited net assets of the Target Company as at 30 September 2022 was approximately HK\$7,773,000. The change from a net liability position of the Target Company as at 31 March 2022 to a net asset position as at 30 September 2022 was mainly due to a capitalisation agreement entered into between Mr. Choy Chi Fai, Ms. Ho Ka Man and the Target Company, pursuant to which the Target Company allotted and issued one capitalisation share to each of Mr. Choy Chi Fai and Ms. Ho Ka Man which capitalised Mr. Choy Chi Fai's loan to the Target Company in the amount of HK\$4,667,091 and Ms. Ho Ka Man's loan to the Target Company in the amount of HK\$4,667,091, respectively.

GENERAL INFORMATION ON THE PARTIES

The Vendors

As at the Latest Practicable Date, each of Mr. Choy Chi Fai and Ms. Ho Ka Man (i) is an executive Director and a controlling shareholder of the Company; (ii) holds 50% issued shares of the Target Company; and (iii) a connected person of the Company. Accordingly, the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company for the purpose of the Listing Rules.

LETTER FROM THE BOARD

The Purchaser

The Purchaser is a direct wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the retail and wholesale of health and personal care products.

The Property is the major asset of the Target Company and it is currently rented by the Target Company as landlord to Truth & Faith International Limited, an indirect wholly-owned subsidiary of the Company, as tenant. Upon Completion, the Property will continue to be used by Truth & Faith International Limited for its business operation.

The reasons for and benefits of the Acquisition are as follows: (i) since the Property is in vicinity to the other warehouse of the Group, this will increase the efficiency of stock and man power management and help the Group to further develop and expand its businesses; (ii) the Property is located at a prime location and according to the statistic published by the Rating and Valuation Department, there is a recent drop in price of the flatted factories, the Board considers that it is a good investment opportunity to acquire the Property at the current market price and the Group may benefit from any long-term capital gain if the Property appreciate in value in the future; and (iii) the rental index of private flatted factories increased by approximately 9.2% from 2018 Quarter 1 to 2022 Quarter 3 with reference to the statistic published by the Rating and Valuation Department. The Acquisition will save rental expenses of the Group after Completion and also avoid continuous rental increment in the future.

In view of the above, the Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including, among other things, the Consideration) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Pursuant to the articles of association of the Company and the Listing Rules, a Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted. Accordingly, Mr. Choy Chi Fai and Ms. Ho Ka Man, both being executive Directors, are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Save for Mr. Choy Chi Fai and Ms. Ho Ka Man, none of the other Directors have a material interest in the transactions and therefore no other Director was required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the shares of the Target Company are owned as to 50% by Mr. Choy Chi Fai and 50% by Ms. Ho Ka Man, respectively. In addition, each of the Vendors is a Director and a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, each of the Vendors is a connected person of the Company and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company for the purpose of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Prof. Luk Ting Kwong, Mr. Ko Ming Kin and Dr. Wan Cho Yee being all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are fair and reasonable; on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and on how to vote.

The Independent Financial Adviser has been appointed with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to the Letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-17 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

EGM

The EGM will be convened and held at Unit 203, 2nd Floor, Block B, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Monday, 9 January 2023 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office 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 less than 48 hours before the time appointed for holding of the EGM (i.e. no later than 3:00 p.m. on Saturday, 7 January 2023) or any adjourned meeting thereof (as the case may be). Completion and

LETTER FROM THE BOARD

return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The voting at the EGM will be conducted by way of poll.

Beatitudes International Ltd., which is owned as to 50% by each of Mr. Choy Chi Fai and Ms. Ho Ka Man, the controlling Shareholder holding 425,340,000 Shares (representing approximately 55.82% of the entire issued share capital of the Company) as at the Latest Practicable Date, and its associates and any Shareholder who has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Save as disclosed in the above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholders have any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and are required to abstain from voting on the relevant resolution(s) at the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 January 2023 to Monday, 9 January 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 January 2023.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on pages IBC-1 to IBC-2 of this circular and the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-17 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder to be fair and reasonable, on normal commercial terms so far as the Company and the Independent Shareholders are concerned 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 ordinary resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of all the resolutions as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,

For and on behalf of the Board

Ausupreme International Holdings Limited

Choy Chi Fai

Chairman, Executive Director and Co-Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.



Ausupreme International Holdings Limited

澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

15 December 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 15 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote in relation to the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM, taking into account the recommendations of the Independent Financial Adviser. Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 12 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of whether the terms of the Sale and Purchase Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and the Independent Shareholders on how to vote.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages IFA-1 to IFA-17 of the Circular, we are of the opinion that the Sale and Purchase Agreement, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Prof. Luk Ting Kwong
*Independent non-executive
Director*

Mr. Ko Ming Kin
*Independent non-executive
Director*

Dr. Wan Cho Yee
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Advisor, Silverbricks Securities Company Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Units 1004–1006, 10/F, China Merchants
Tower Shun Tak Centre, Shun Tak Centre,
168–200 Connaught Rd Central, Sheung Wan

15 December 2022

*To the Independent Board Committee and
the Independent Shareholders of
Ausupreme International Holdings Limited*

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to make recommendations to the Independent Board Committee and the Independent Shareholders of Ausupreme International Holdings Limited (the “**Company**”) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 15 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in this Circular.

The Acquisition

Reference is made to the Letter.

On 31 October 2022 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration, subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Implications under the Listing Rules

As the relevant applicable percentage ratios for the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the shares of the Target Company are owned as to 50% by Mr. Choy Chi Fai (“**Mr. Choy**”) and 50% by Ms. Ho Ka Man (“**Ms. Ho**”), respectively. Each of the Vendors is a Director and a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, each of the Vendors is a connected person of the Company and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction for the Company for the purpose of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the articles of association of the Company and the Listing Rules, a Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted. Accordingly, Mr. Choy and Ms. Ho, both being executive Directors, are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve among others, the Sale and Purchase Agreement and the transactions contemplated thereunder. Beatitudes International Ltd, which is owned as to 50% by each of Mr. Choy and Ms. Ho, the controlling Shareholder holding 425,340,000 Shares (representing approximately 55.82% of the entire issued share capital of the Company) as at the Latest Practicable Date, and its associates and any Shareholder who has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

Pursuant to the Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, namely Prof. Luk Ting Kwong, Mr. Ko Ming Kin and Dr. Wan Cho Yee, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and as to the voting action therefor.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to advise the Independent Board Committee, and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better but not in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transaction.

OUR INDEPENDENCE

We, Silverbricks Securities Company Limited (“**Silverbricks**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Silverbricks is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Silverbricks and the Company or any other parties that could be reasonably be regarded as hindrance to Silverbricks’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules and are eligible to give independent advice on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. Therefore, we have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided in the Circular. We have, however, not conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the release of the Circular and will continue to be true up to the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonable possible if we are aware of any material change to such representations and/or any change to our view/opinion. We have also assumed that the information we have relied on as set out in this letter will be valid up to the time of the EGM and we are not aware any of the information we have relied on as set out in this letter will change or become invalid in the foreseeable future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, 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 purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. BACKGROUND OF THE TRANSACTION

On 31 October 2022, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration, subject to the terms and conditions of the Sale and Purchase Agreement.

1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Company is a Hong Kong based investment holding company and the holding company of the Group.

1.1.1 Principal business of the Group

The Group is principally engaged in the retail and wholesale of health and personal care products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1.2 Financial performance of the Group

Set out below is a summary of (i) the Group's unaudited consolidated financial performance for the six months ended 30 September 2022 as extracted from the announcement of the Company dated 28 November 2022 and (ii) the Group's audited consolidated financial performance for the years ended 31 March 2021 and 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 ("Year") ("2022 Annual Report").

Table 1: Summary of the consolidated financial performance of the Group

	For the six months ended		For the years ended 31 March	
	30 September		2022	2021
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(audited)	(audited)
Revenue				
— Sales of health supplement products	59,267	60,723	122,675	97,846
— Sales of honey and pollen products	757	787	1,879	1,821
— Sales of personal care products	<u>1,268</u>	<u>1,882</u>	<u>4,172</u>	<u>3,240</u>
Total revenue	<u>61,292</u>	<u>63,392</u>	<u>128,726</u>	<u>102,907</u>
Gross profit	51,117	52,500	105,146	84,615
Profit/(loss) before taxation	(433)	51	(2,966)	3,474
Profit/(loss) for the period/year	(365)	(209)	(843)	3,844

As set out in the above table 1, for the six months ended 30 September 2022, the unaudited consolidated total revenue of the Group recorded a slight decrease for the six months ended 30 September 2022 as compared to that in 2021. During the six months ended 30 September 2022, the Group's revenue decreased by approximately 3.3% to approximately HK\$61,292,000 (2021: approximately HK\$63,392,000).

During the six months ended 30 September 2022, the Group's revenue attributable to (a) health supplement products decreased by approximately 2.4% to approximately HK\$59,267,000 (2021: approximately HK\$60,723,000); (b) personal care products decreased by approximately 32.6% to approximately HK\$1,268,000 (2021: approximately HK\$1,882,000); and (c) honey and pollen products dropped by approximately 3.8% to approximately HK\$757,000 (2021: approximately HK\$787,000). The adverse sales performance was mainly due to citywide lockdown of Macau in July 2022 as a result of the prolonged COVID-19 pandemic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2022, the audited consolidated total revenue of the Group mainly derived from (a) sales of health supplement products; (b) sales of honey and pollen products; and (c) sales of personal care products.

As set out in the above table 1, the audited consolidated total revenue of the Group for the year ended 31 March 2022 was approximately HK\$128,726,000, representing an increase of approximately 25.1% when compared to that of 2021 (i.e. HK\$102,907,000). Such significant increase was mainly attributable to the, among other things,

- (a) the sales of health supplement products increased by 25.4% to HK\$122,675,000 (2021: HK\$97,846,000);
- (b) the sales of personal care products increased by 28.8% to HK\$4,172,000 (2021: HK\$3,240,000);
- (c) the sales of honey and pollen products slightly increased by 3.2% to HK\$1,879,000 (2021: HK\$1,821,000); and
- (d) according to the Management, the improved sales performance was mainly due to the Group's proactive marketing strategies such as attractive discount offers, promotional campaigns through social media platforms and advertising on TV and public transportation.

The Group recorded an audited consolidated loss for the year ended 31 March 2022 of approximately HK\$843,000 whilst the Group recorded an audited consolidated profit of approximately HK\$3,844,000 for the year ended 31 March 2021. According to the Management, such increase in losses are as follows:

- (a) the cost of sales increased by HK\$5,288,000 or 28.9% to HK\$23,580,000 for the year ended 31 March 2022 (2021: HK\$18,292,000). The increase was mainly due to the boost of revenue for the Year; the gross profit margin remained stable with only a slight decrease of 0.5% to 81.7% for the Year (2021: 82.2%);
- (b) the other income of the Group has shrunk by 85.2% to HK\$2,038,000 for the Year (2021: HK\$13,728,000). The drop was mainly attributable to the great reduction of government grants and rent concession income for the Year as compared to the year ended 31 March 2021 which included a total of HK\$12,388,000 government grants and rent concession income from various landlords due to the COVID-19;

- (c) the selling and distribution expenses of the Group increased by 10.0% to HK\$80,998,000 for the Year (2021: HK\$73,620,000). The increase was mainly attributable to (i) the increase in advertising and promotion expense to enhance the brand image; and (ii) the increase in consignment commission and the sales staff cost as a result of the growth in revenue and the policy of retaining human resources, respectively; and
- (d) the general and administrative expenses of the Group increased by 22.3% to HK\$29,348,000 for the Year (2021: HK\$24,005,000). The increase was mainly due to the raise in staff cost and remuneration.

Information of Mr. Choy and Ms. Ho (being the Vendors under the Sale and Purchase Agreement)

Each of Mr. Choy and Ms. Ho (i) is an executive Director and a controlling shareholder of the Company; and (ii) holds 50% issued shares of the Target Company.

As at the Latest Practicable Date, Mr. Choy and Ms. Ho, through Beatitudes International Ltd. and in their own capacity, is beneficially in 425,340,000 Shares, representing approximately 55.82% of the existing issued share capital of the Company. Therefore, Mr. Choy and Ms. Ho are connected persons of the Company under Chapter 14A of the Listing Rules.

1.2 Information of the Target Company

1.2.1 Shareholding structure of the Target Company

The Target Company was incorporated in Hong Kong in March 2012 with limited liability, and is primarily engaged in properties investment. As at the Latest Practicable Date, the Target Company is owned as to 50% by Mr. Choy and 50% by Ms. Ho.

1.2.2 Financial information of the Target Company

(i) Financial performance of the Target Company

Set out below is a summary of the Target Company’s audited financial performance for the years ended 31 March 2021 and 2022 as extracted from the audit report of the Target Company for the year ended 31 March 2022 (“**2022 Target Audited Accounts**”) and the Target Company’s unaudited financial performance for the six months ended 30 September 2022 as extracted from its management accounts for the six months ended 30 September 2022 (“**2022 Target Unaudited Accounts**”).

**Table 2: Summary of the financial performance
of the Target Company**

	For the year ended 31 March 2021	For the year ended 31 March 2022	For the six months ended 30 September 2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Audited)	(Audited)	(Unaudited)
Revenue	600	870	480
Net profit before taxation	78	332	222
Net profit after taxation	78	319	200
Net assets/(liabilities)	(2,100)	(1,781)	7,773

As advised by the Company, the unaudited net assets of the Target Company as at 30 September 2022 was approximately HK\$7,773,000.

As set out in the table above, the audited total revenue of the Target Company for the year ended 31 March 2022 was approximately HK\$870,000, representing a increase of approximately 45% when compared to that of 2021. In addition, the Target Company recorded an audited net profit after taxation of approximately HK\$319,000 for the year ended 31 March 2022, representing a increase of approximately 309% when compared to that of 2021. The rationale behind the significant increase is that in July 2021, the Target Company as landlord entered into a tenancy agreement with Truth & Faith International Limited, an indirect wholly owned subsidiary of the Company, as tenant in relation to the leasing of the Property at a monthly rental income of HK\$80,000 and for a term of three years from 1 July 2021 to 30 June 2024. Other than the leasing of the Property as landlord under the tenancy agreement, the Target Company has no other material operations since its incorporation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Financial position of the Target Company

Set out below is a summary of the Target's audited financial position as at 31 March 2022 as extracted from the 2022 Target Audited Accounts and the Target Company's unaudited financial position as at 30 September 2022 as extracted from the 2022 Target Unaudited Accounts.

	As at 30 September 2022	As at 31 March 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current assets		
— Property, plant and equipment	10,120	10,282
Current assets		
Deposits and prepayment and bank balance	<u>801</u>	<u>621</u>
Current liabilities		
— Bank borrowing	(3,102)	(3,307)
— Accrued expenses and other trade payable	<u>(46)</u>	<u>(9,377)</u>
	<u>(3,148)</u>	<u>(12,684)</u>
Net assets/(liabilities)	<u><u>7,773</u></u>	<u><u>(1,781)</u></u>

As noted in the table above, the total non-current assets of the Target Company as at 30 September 2022 was approximately HK\$10,120,000. As advised by the Company, there was no other material cost for incorporation of the Target Company by the Vendors in 2012 and the original acquisition cost of the Property paid by the Target Company was approximately HK\$12,880,000. As advised by the Management, it refers to the cost of the Property minus depreciation. Furthermore, the total current liabilities of the Target Company as at 30 September 2022 was approximately HK\$3,148,000, of which the bank borrowing contributed approximately HK\$3,102,000. We noted that the Property has been mortgaged to the Bank of China (Hong Kong) Limited which is secured by a personal guarantee by Mr. Choy and Ms. Ho, and the outstanding balance of which is was approximately HK\$3,102,000 as at 30 September 2022 and accruing at an interest rate of 2.45% per annum.

(iii) Principal assets of the Target Company

As at the Latest Practicable Date, the Target Company has no other major assets other than the Property. As set out in the Letter, the Property is located at Room C, 3/F, King Win Factory Building, 67 King Yip Street, Kwun Tong, Kowloon, Hong Kong with total construction area of approximately 5,451 square feet. According to the valuation of the Property performed by an independent professional valuer by way of market approach, the market value of the Property was HK\$29,800,000 as at 30 September 2022. As at the Latest Practicable Date, the Property has been mortgaged to the Bank of China (Hong Kong) Limited which is secured by a personal guarantee by Mr. Choy and Ms. Ho, and the outstanding balance of which is was approximately HK\$3,102,000 as at 30 September 2022 and accruing at an interest rate of 2.45% per annum. Upon Completion, the personal guarantee securing the Mortgage of the Property will be released and replaced by a corporate guarantee to be provided by the Company.

2. REASONS AND BENEFITS OF THE ACQUISITION

In assessing the reasons for and benefits of the Acquisition, we have considered the Board's view on such matters and arrived at a conclusion after certain review and enquiry with the Management.

2.1 The Board's view

As stated in the Letter, upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company and the Property will continue to be used by Truth & Faith International Limited for its business operation. The reasons and benefits of the Acquisition are as follows: (i) since the Property is in vicinity to the other warehouse of the Group, this will increase the efficiency of stock and man power management and help the Group to further develop and expand its businesses; (ii) the Property is located at a prime location and according to the statistic published by the Rating and Valuation Department, there is a recent drop in price of the flatted factories, the Board considers that it is a good investment opportunity to acquire the Property at the current market price and the Group may benefit from any long-term capital gain if the Property appreciate in value in the future; and (iii) the rental index of private flatted factories increased by approximately 9.2% from 2018 Quarter 1 to 2022 Quarter 3 with reference to the statistic published by the Rating and Valuation Department. The Acquisition will save rental expenses of the Group after Completion and also avoid continuous rental increment in the future. As the Property is currently rented by the Target Company as landlord to Truth & Faith International Limited, an indirect wholly-owned subsidiary of the Company, as tenant. The Board (including the independent non-executive Directors) considered that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including, among other things, the Consideration) are fair and reasonable, are on normal commercial

terms. Although the Sale and Purchase Agreement and the transactions are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

2.2 Our view

Before arriving at our view on the reasons and benefits of the Acquisition, we have considered two factors, which are

(i) Overview of the overall Hong Kong property market

We conducted research on Hong Kong property market and noted that the data from the Rating and Valuation Department of Hong Kong Government showed that the average prices for each square meters in Kowloon have been dropped by 4.25% as at August 2022 comparing with last twelve month, the prices for each square meters decreased from HK\$91,900 to HK\$87,994. According to the research we conducted, the policies have been taken by Hong Kong's note issuing banks, they have lifted up the best lending rates. These moves came after the Hong Kong Monetary Authority announced a 75-basis point increase to its benchmark rate. By noting that the uncertainties of the economic environment, the market is recently pessimistic to the property trend with an upward trending interest rate, therefore properties' prices went downward.

Regarding to the rental indices for the Hong Kong property market conducted by the Rating and Valuation Department, between the first quarter of 2021 to the second quarter 2022, the average price for each square meter had grown from HK\$201 to HK\$208.5. And the index for flatted factories is rising comparing to domestic property market, offices property market and retails. Based on the research of Knight Frank Hong Kong, stating from Hong Kong Industrial Summary Q2 2022, the year over year of Hong Kong general industrial building Rents increased 6.4%, meanwhile the rental price in Kowloon East, Hong Kong had also increased 5.6%. The rising rental levels were being supported by the strong leasing demand with low vacancy rate for industrial buildings. After considering the research we have conducted, it is likely to be a valuable opportunity for investing in industrial properties regarding to the recent drop of property prices, and the rising rental price, as a reasonable timing for a long term perspectives.

(ii) Overview of the interest rate offered in Hong Kong property market

The Target Company entered the Mortgage Loan Facility at the interest rate of 2.45% p.a. with the Bank of China (Hong Kong) Limited. To be compared with all interest rate provided by the banks, as stated on 31 October 2022, the interest rate range is within 2.38% p.a. and 2.75% p.a. These has resulted that the interest rate that offered by the Bank of China (Hong Kong) Limited is in within the range, we believe the Acquisition is in a reasonable rate for mortgage.

Conclusion

In light of the outlook of the Hong Kong property market and the offered interest rate, we concur with the Directors that the Acquisition, which allows the Group to bring long-term benefits with a reasonable price on rather acquire the Property than rent. As a result, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

3.1 Details of the Sale and Purchase Agreement

The table below summarise the principal terms of the Sale and Purchase Agreement and please refer to the Letter for details:

Date:	31 October 2022
Parties:	(i) Mr. Choy Chi Fai(as the First vendor); (ii) Ms. Ho Ka Man(as the Second vendor); and (iii) Nature’s Elite Limited, a direct wholly-owned subsidiary of the Company(as the purchaser).
Subject matter:	The Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company.
Consideration:	The Consideration is HK\$27,453,000, which shall be payable by the Purchaser to the Vendors (or its nominee(s)) in the following manner: (i) HK\$20,000,000 of the Consideration shall be payable by the Purchaser to the Vendors (as to HK\$10,000,000 to Mr. Choy and HK\$10,000,000 to Ms. Ho) by way of cash upon Completion; and (ii) HK\$7,453,000 of the Consideration shall be payable by the Purchaser to the Vendors (as to HK\$3,726,500 to Mr. Choy and HK\$3,726,500 to Ms. Ho) by way of cash within three months after the Completion.

3.2 Evaluation on the basis of the Consideration

As set out in the Letter, the Consideration was determined after arm's length negotiation between the Vendors and the Purchaser on normal commercial terms after taking into account of, among other things, (i) the market value of the Property of approximately HK\$29,800,000 valued by an independent professional valuer as at 30 September 2022 by way of market approach; (ii) the unaudited net current liabilities of the Target Company of approximately HK\$2,347,000 as at 30 September 2022; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" of the Letter.

3.2.1 Review on the Valuation

As mentioned above, the Consideration was determined after taking into account, without limitation, the valuation (the "**Valuation**") of the Property performed by an independent professional valuer by way of market approach, the market value of the Property was HK\$29,800,000 ("**Appraised Value**") as at 30 September 2022. In order to assess the fairness and reasonableness of the Consideration basis, we have considered the followings in relation to the Valuation.

We have obtained a copy of the valuation report as set out in Appendix I to the Circular (the "**Valuation Report**") in respect of the Valuation. We have reviewed the Valuation Report and discussed with LCH (Asia-Pacific) Surveyors Limited ("**the Valuer**") regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation.

In accordance with the Valuation Report, the valuation methodology can be broadly classified into three approaches, namely cost approach, income approach and market approach. Based on our review of the Valuation Report and our discussion with the Valuer on the methodology and the principal basis and assumptions adopted in arriving at the Appraised Value, the Valuer had selected the market approach and concluded that each of the cost approach and the income approach were not applicable. According to the Valuer, the market approach considered the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title. The Valuation has been made on the assumption that the owner sells the property on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property. The selected comparables are properties located close to the Property, which have transacted during the period from 2019 to 2021. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the Property to arrive at an assumed unit rate. After reviewing the comparables by checking the information of such comparables including but not limited to location, land use

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

term, property size and site area. Appropriate adjustments and analysis are considered given differences in location, accessibility and other characters between the comparable properties and the subject properties. We understand from the Valuer that the market approach is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice.

We also noted that the Valuation Report has been prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules and HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors. After our discussion with the Valuer and our review on the methodology, principal basis and assumptions adopted in arriving at the Appraised Value, we are of the view that the valuation methodology and the principal basis and assumptions adopted in arriving at the Appraised Value is fair and reasonable.

For our due diligence purpose, as aforementioned, we have reviewed and enquired the qualifications and experience of the Valuer in relation to the preparation of the Valuation Report. We noted that the key personnel of Valuer responsible for signing the Valuation Report has obtained the relevant professional qualifications, such as for the valuation of the Property and has over 30 years of experience in the valuation of properties in Hong Kong. We have also reviewed the terms of the engagement of the Valuer appointed by the Company as well as due diligence exercises taken by the Valuer in conducting the Valuation Report and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report. As aforementioned, the Valuer has confirmed that it is independent from the Group, the Vendors, and their respective associates. Thus, based on the engagement letter and our due diligence, we are satisfied with the terms of engagement of the Valuer as well as its qualifications and experience for the Valuation Report.

Since (i) the major asset held by the Target Company is the Property; (ii) the Valuation Report of the Property was conducted by the Valuer more recently; and (iii) the more recent valuation of the Property by the Valuer may be readily used to assess against the consideration contemplated under the Sale and Purchase Agreement as (a) the purpose of the transaction contemplated under the Sale and Purchase Agreement was to acquire the Property; (b) the Target Company has no other material assets other than the Property; and (c) the Valuation of the Property is covered by the valuation conducted by the Valuer, we concur with the Directors that it is sufficient and more appropriate to include the valuation report prepared by the Valuer in Appendix I to the Circular.

3.2.2 Review on the outstanding amount of the Mortgage

We also noted that the Property has been mortgaged to the Bank of China (Hong Kong) Limited (“**Mortgage**”) which is secured by a personal guarantee by the Vendors, the outstanding balance of which was approximately HK\$3,102,000 as at 30 September 2022 and accruing at an interest rate of 2.45% per annum. Upon Completion, the personal guarantee securing the Mortgage of the Property will be released and replaced by a corporate guarantee to be provided by the Company.

Having checked to the breakdown of the outstanding balance of the Mortgage and the underlying documents, we considered that the determination of the Mortgage is fair and reasonable and favourable to the Company and the Shareholders as whole.

Besides, we conducted a research on the market interest rate of mortgage loan offered by 17 banks in Hong Kong. We noted that the market interest rates of mortgage loan offer by different banks are ranging from 2.38% to 2.75% per annum. Therefore, the interest rate of the Mortgage is within the range.

Based on the above, we concluded that Mortgage adopted by the Management is justifiable and the terms of which are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

3.2.3 Conclusion on the evaluation on the basis of the Consideration

Apart from reviewing the Valuation and the Appraised Valuation, we have also reviewed the unaudited financial statements of the Target Company as at 30 September 2022 as provided by the Management. Based on such review, we noted the followings:

- (i) as per the unaudited financial statements of the Target Company as at 30 September 2022, the unaudited net assets value of the Target Company as at 30 September 2022 is approximately HK\$7,773,000; and
- (ii) the fair value of the Property as at 30 September 2022 (i.e. HK\$29,800,000) represents a revaluation surplus of approximately HK\$19,680,000 as compared to the amount of cost of Property of approximately HK\$10,120,000 as at 30 September 2022.

Based on the above, despite the total consideration under the Sale and Purchase Agreement was determined based on the Valuation, we understand that the Directors had considered (i) the fair value of the Property as appraised by the Valuer which is a fair value surplus as compared to the book cost; (ii) there is no material change on the net asset value of the Target Company as at 30 September 2022; and (iii) the reasons and benefits as described in the sub-section headed “Reasons for and benefits of the Acquisition” of the Letter, we concur with the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors that the determination of the consideration under the Sale and Purchase Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECT OF THE ACQUISITION

The Group will be interested in the entire equity interest of the Target Company and the Target Company will be an indirect wholly-owned subsidiary of the Company after the Completion. The financial information of the Target Company will be consolidated into the financial statements of the Group.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the Acquisition is not in the ordinary and usual course of the business of the Group, however, it is in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be at the EGM to approve the Acquisition.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Chan Wai Fung
Head of Corporate Finance

Mr. Yau Tung Shing and Mr. Chan Wai Fung are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Silverbricks Securities Company Limited. Mr. Yau Tung Shing and Mr. Chan Wai Fung have over 6 and 3 years of experience in corporate finance industry, respectively.

The following is the valuation report, prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 September 2022 of the property interests to be acquired by the Group.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the latest HKIS Valuation Standards (the “**HKIS Standards**”) published by the Hong Kong Institute of Surveyors (the “**HKIS**”) which entitles the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitution to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the date of this report. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor
Champion Building
Nos. 287–291 Des Voeux Road Central
Hong Kong

15 December 2022

*The Board of Directors
Ausupreme International Holdings Limited
Office E, 28/F, EGL Tower
No. 83 Hung To Road
Kwun Tong, Kowloon
Hong Kong*

Dear Sirs/Madams,

In accordance with the instructions given by the present management of Ausupreme International Holdings Limited (hereinafter referred to as the “**Instructing Party**”) to us to conduct valuation of a designated *real property* (same as the word *property* in this report) in which Ausupreme International Holdings Limited (hereinafter referred to as the “**Company**”) or its subsidiaries (collectively, together with the Company hereinafter referred to as the “**Group**”) intended to acquire, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of value of the property as at 30 September 2022 (hereinafter referred as the “**Valuation Date**”) for the Instructing Party’s internal management reference purpose. We are given to understanding our work product will be included in the Company’s circular for its shareholders’ reference. This valuation report comprises the text section and property particulars with value section.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding to the property valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of value of the property interests are documented in this valuation report and submitted to the Instructing Party at today’s date.

BASIS OF VALUATION AND ASSUMPTIONS

According to the HKIS Standards, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our conclusion of value of the property on market value basis.

The term “**Market Value**” is defined by the HKIS Standards as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuation of the property interest has been made on the assumptions that, as at the Valuation Date.

1. the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premium payable have already been fully paid; and
2. the legally interested party in the property sells its relevant property interests in the market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property interests.

Should any of the above not be the case, it will have adverse impact to the value as reported.

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis i.e. free to assign, transfer, let and mortgage, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Having consider the physical characteristic of the property and the availability of sales transaction evidences in the market, we consider the Market Approach is the most appropriate approach to value the property. The property is not held for leasing purpose, the Income Approach considering rental income is considered less appropriate given that there are numerous sales transaction evidences in the market. The Cost Approach is also considered not appropriate as it is normally adopted for valuing special property where lack of transaction evidence in the market.

In valuing the property, we have adopted the Sales Comparison Approach (also known as the Market Approach) on the assumption that the property could be sold with the benefit of vacant possession as at the Valuation Date. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

Unless otherwise stated, we have not carried out any valuation on redevelopment basis to the property and the study of possible alternative development options and the related economics do not come within the scope of our work product.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the property valued nor any expenses or taxation which may be incurred in affecting a sale of the property. Unless otherwise stated, it is assumed that the property is free from all encumbrances, restrictions, and outgoing of an onerous nature which could affect it value.

In our valuation, we have assumed that the property is able to be sold and purchased in the market without any legal impediment (including but not limited to the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issue. No responsibility or liability from our part is assumed.

Save except disclosed in this report, as at the date of this report, we were unable to identify further adverse news against the property which may affect the reported findings and values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings and value reported herein.

ESTABLISHMENT OF TITLES

In the course of valuation, we have conducted title searches on property in the Land Registry of Hong Kong. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We are not legal professional and we are unable to ascertain the titles and to report any encumbrances (if any) that are registered against the property. No responsibility or liability is assumed.

In our report, we have assumed that the Instructing Party has obtained all the approval and/or endorsement from the relevant authorities to own the property, and that there would have no legal impediment (especially from the regulators) for the Instructing Party to continue the legal titles of the property. Should this not be the case, it will affect our findings or conclusion of value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS

We have inspected the exterior where possible the interior of the property. The inspection was conducted by our Graduate Surveyor Mr. Hindre Cheuk in November 2022. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the use of the attached property particulars with value should not be used as the building surveys of the property. If the Instructing Party or any party interested in the property wants to satisfy themselves for the condition of the property, they should obtain a surveyor's detailed inspection and report of their own.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the areas shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect, and therefore we have not considered such factors in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring unit, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported or affect our findings.

SOURCES OF INFORMATION AND ITS VERIFICATION

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Group without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas, and all other relevant matters.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our works have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in the position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility and liability is assumed.

When we adopted the work products from other professions, external data providers and the Instructing Party or the appointed personnel of the Group in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied to this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or the appointed personnel of the Group. Also, we have sought and received confirmation from the Instructing Party or the appointed personnel of the Group that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party or the appointed personnel of the Group of material and latent facts that may affect the valuation.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Group. We consider that we have been provided with sufficient information to reach an informed view, and have had no reasons to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (“**HK\$**”).

LIMITING CONDITIONS

Our findings and conclusion of value of the property in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this document for the Company’s shareholders’ reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, shall where appointed, be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Group are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the property for internal management reference purpose as at Valuation Date in its existing states and assuming free of all encumbrances, was in the order of **HONG KONG DOLLARS TWENTY-NINE MILLION AND EIGHT HUNDRED THOUSAND ONLY (HK\$29,800,000)**.

STATEMENTS

This report is prepared in line with the reporting guidelines contained in the HKIS Standards. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this report and the detailed report together with the data provided by the Instructing Party or the appointed personnel of the Group, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuation of the property depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion and we have no significant interest in the property, the Group or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Ng Hung Mui, Elsa

B.Sc M.Sc RPS (GP)

Executive Director

J. Junior Ho

B.Sc M.Sc RPS (GP)(PDD)

Director

Note:

Sr Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by The HKIS.

Sr J. Junior Ho is a Registered Professional Surveyor and has been conducting valuation of real properties in Hong Kong, Macau, Taiwan, mainland China, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010.

PROPERTY PARTICULARS WITH VALUE

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 30 September 2022 <i>HK\$</i>
Unit C on 3rd Floor, King Win Factory Building Nos. 65–67 King Yip Street Kwun Tong Kowloon Hong Kong	The property comprises a factory unit on the 3rd Floor of a 14-storey industrial building which was completed in about 1980.	As confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group as at the Valuation Date for storage and ancillary office purposes.	29,800,000 <i>(See Note 4 below)</i>
50/2381 th shares of and in Kun Tong Inland Lot No. 66 ("the Lot")	<p>The property has a gross floor area of approximately 5,451 square feet (506.4 square metres) and a saleable area of approximately 4,393 square feet (408.1 square metres).</p> <p>The Lot is held under a Government Lease for a term of 21 years renewable for 21 years commencing from 1 July 1955, which had been extended without premium until 30 June 2047 under provisions of Annex III of the Joint Declaration of the Government of the PRC on the question of Hong Kong and the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong. <i>(See Note 1 below)</i></p> <p>The current annual Rent payable for the Lot equals to 3 per cent. of the rateable value for the time being of the Lot.</p>		

Notes:

1. The registered owner of the property is Prof Kiu International Limited, which is owned by Mr. Choy Chi Fai and Ms. Ho Ka Ma, connected persons of the Company, vide an Assignment dated 24 April 2012 and registered in the Land Registry by Memorial No. 12051600320068 on 16 May 2012.
2. The property is subject to a Deed of Mutual Covenant (DMC) dated 26 April 1980 and registered in Urban Land Registry by Memorial No. 1870599 on 8 May 1980. The DMC defines the undivided share of the property as 50 shares out of total 2381 for the whole building. It defines common area and rights and responsibility of owners as well as management fee payable by each owners.

3. The property is subject to a Mortgage dated 21 August 2014 in favour of Bank of China (Hong Kong) Limited and registered via Memorial No. 14091800270038 for all moneys. As advised, the Mortgage is secured by a personal guarantee by Mr. Choy Chi Fai and Ms. Ho Ka Man, the outstanding balance of which was approximately HK\$3,102,000 as at 30 September 2022 and accruing at an interest rate of 2.45% per annum.

4. As inspected, the partition wall between the property and adjacent Unit A which is currently owned by the Group was removed.

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) Interests of Directors and chief executives

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to notify to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 of the Listing Rules were as follows:

Long position in the Shares and underlying Shares of the Company:

Name of Director(s)	Nature of interest	Number of Share(s) held	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Choy Chi Fai	Interest in a controlled corporation	425,340,000 <i>(Note 1)</i>	55.82%
Ms. Ho Ka Man	Interest in a controlled corporation	425,340,000 <i>(Note 1)</i>	55.82%

Notes:

- Each of Mr. Choy Chi Fai and Ms. Ho Ka Man (together as a group of the controlling shareholders) owns 50% of the issued share capital of Beatitudes International Ltd., a company incorporated in the British Virgin Islands and considered as the parent and ultimate parent company of the Company, respectively. As at the Latest Practicable Date, Beatitudes International Ltd. was the beneficial owner holding approximately 55.82% shareholding interest in the Company and thus, each of Mr. Choy Chi Fai and Ms. Ho Ka Man was deemed or taken to be interested in all the Shares which were beneficially owned by Beatitudes International Ltd. for the purpose of the SFO.

2. The percentage is calculated on the basis of 762,000,000 Shares in issue as at the Latest Practicable Date.

Long position in the ordinary shares of Beatitudes International Ltd. — an associated corporation of the Company

Name of Director(s)	Nature of interest	Number of ordinary share(s) held	Percentage of shareholding
Mr. Choy Chi Fai	Beneficial owner	50	50%
Ms. Ho Ka Man	Beneficial owner	50	50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 of the Listing Rules, notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in the Shares and the underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position 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 or who was directly or indirectly interested in 5% or more of the

nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Long position in the Shares and underlying Shares of the Company:

Name	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding <i>(Note 2)</i>
Beatitudes International Ltd. <i>(Note 1)</i>	Beneficial owner	425,340,000	55.82%
Gao Yuan	Beneficial owner	93,635,000	12.29%

Notes:

1. Beatitudes is a company incorporated in the British Virgin Islands, which owned an approximately 55.82% shareholding interest in the Company as at the Latest Practicable Date.
2. The percentage is calculated on the basis of 762,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interests in the assets which had been, since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts (the “**Experts**”) who have given their opinions or advices which are contained in this circular:

Name	Qualification
LCH (Asia-Pacific) Surveyors Limited	Independent professional surveyor
Silverbricks Securities Company Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the Experts did not have any shareholding, direct or indirect, in any member of the Group or the 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, as at the Latest Practicable Date, each of the Experts did not have any interest, either directly or indirectly, in any assets which have been, since 31 March 2022 (being 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.

8. GENERAL

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business in Hong Kong of the Company is situated at office E, 28/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.
- (e) The company secretary of the Company is Ms. Tang Wing Shan, a member of the Chartered Professional Accountants of Ontario and a fellow member of the Association of Chartered Certified Accountants.
- (f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS ON DISPLAY

Copy of the Sale and Purchase Agreement will be available on (i) the website of the Company (<http://www.ausupreme.com>); and (ii) the website of the Stock Exchange (<http://www.hkexnews.hk>) during the period of 14 days from the date of this circular.

澳至尊
AUSupreme

Ausupreme International Holdings Limited

澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Ausupreme International Holdings Limited (the “**Company**”) will be held at Unit 203, 2nd Floor, Block B, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Monday, 9 January 2023 at 3:00 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional sale and purchase agreement dated 31 October 2022 (the “**Sale and Purchase Agreement**”) and entered into amongst Mr. Choy Chi Fai and Ms. Ho Ka Man as vendors (the “**Vendors**”) and Nature’s Elite Limited as purchaser (the “**Purchaser**”) in relation to the proposed acquisition of the entire issued share capital (the “**Sale Shares**”) of Prof Kiu International Limited by the Purchaser from the Vendors (the “**Acquisition**”) for a consideration of HK\$27,453,000 (the “**Consideration**”) (a copy of which has been produced to the Meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one or more of the directors (“**Director(s)**”) of the Company be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

By order of the Board
Ausupreme International Holdings Limited
Choy Chi Fai
Chairman, Executive Director and Co-Chief Executive Officer

Hong Kong, 15 December 2022

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place

of business in Hong Kong:
Office E, 28/F., EGL Tower
83 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Notes:

1. Any member of the Company (the “**Member**” or the “**Shareholder**”) entitled to attend and vote at the Meeting is entitled to appoint one (or, if he/she/it holds two or more shares of the Company (the “**Shares**”), more than one) proxy to attend and vote instead of him/her/it. A proxy needs not be a Member but must be present in person at the Meeting 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 Meeting if he/she/it so wishes. In the event of a Member who has lodged a form of proxy attending the Meeting, 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 notarially 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 Meeting or its adjournment.
4. For determining the entitlement of the Members to attend and vote at the Meeting, the register of members of the Company (the “**Register of Members**”) will be closed from Wednesday, 4 January 2023 to Monday, 9 January 2023 (both days inclusive), during which period no transfer of Shares will be effected. To qualify for attending and voting at the Meeting, the non-registered Shareholders 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 not later than 4:30 p.m. on Tuesday, 3 January 2023.
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.

NOTICE OF EGM

6. In case of joint holders of a Share, any one of such joint holders may vote, 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 Meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members in respect of such Share shall alone be entitled to vote in respect thereof.

7.
 - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force on the date of the Meeting, the Meeting will be postponed and the Members will be informed of the date, time and venue of the postponed Meeting by an announcement posted on the respective websites of the Company and the Stock Exchange.

 - (b) If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled three hours or more before the time fixed for holding the Meeting and where conditions permit, the Meeting will be held as scheduled.

 - (c) The Meeting will be held as scheduled when a tropical cyclone warning signal No.3 or below or an amber or red rainstorm warning signal is in force.

 - (d) After considering their own situations, the Members should decide on their own as to whether they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.

PRECAUTIONARY MEASURES FOR THE EGM

To prevent the spreading of the novel coronavirus disease 2019 (COVID-19), possible precautionary measures for each attendee at the Meeting include but are not limited to:

- (1) Compulsory body temperature check
- (2) Scanning of “LeaveHomeSafe” venue QR code
- (3) Wearing of surgical face mask
- (4) No provision of refreshment, beverage and corporate gift

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Government of the HKSAR on the date of the Meeting will be denied entry into the meeting venue. The Company would like to encourage Shareholders to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending in person.