
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in **GHW International**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



GHW International

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
CAPITAL INCREASE
AND
DEEMED DISPOSAL OF EQUITY INTEREST
IN A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in the lower portion of this cover page and the inside cover page of this circular shall have the same respective meanings as those defined in the section headed "Definitions" of this circular.

A notice convening the EGM to be held at the 2nd Floor, 6th Building, Xincheng Science Park, No. 69 Aoti Street, Nanjing, the PRC on Monday, 15 July 2024 at 4 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular.

If you are not able to attend the EGM in person but wish to exercise your right as a Shareholder, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Link Market Services (Hong Kong) Pty Limited at suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than Saturday, 13 July 2024 at 4 p.m. (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the "Latest Company Announcements" page of the Stock Exchange's website for at least seven days from its date of publication and on the Company's website at www.goldenhighway.com.

21 June 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM FORTUNE FINANCIAL CAPITAL	27
APPENDIX I — GENERAL INFORMATION	I-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Capital Increase”	the proposed capital contribution in the Target Company in an aggregate amount of RMB36,775,000 by the Subscribers pursuant to the Capital Increase Agreement;
“Capital Increase Agreement”	the capital increase agreement entered into on 10 May 2024 among the Existing Shareholders, the Subscribers and the Target Company;
“Company”	GHW International, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange;
“Completion”	the completion of the Capital Increase Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 2nd Floor, 6th Building, Xincheng Science Park, No. 69 Aoti Street, Nanjing, the PRC on Monday, 15 July 2024 at 4 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, approving the resolution proposed in the EGM Notice;
“Existing Shareholders”	Nanjing Goldenhighway and Taian Taiying;
“EGM Notice”	the notice dated 21 June 2024 for convening the EGM and set out on pages EGM-1 to EGM-2;
“Fortune Financial Capital” or “Independent Financial Adviser”	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the Capital Increase;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising three independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Capital Increase;
“Independent Shareholders”	the Shareholders other than Commonwealth B Limited, Commonwealth Happy Elephant Limited and their associates;
“Latest Practicable Date”	14 June 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Mr. Chen”	Mr. Chen Hua (陳華), an executive Director;
“Mr. Diao”	Mr. Diao Cheng (刁騁), an executive Director;
“Mr. Yin”	Mr. Yin Yanbin (尹燕濱), the founder of the Group and an executive Director;
“Mr. Zhou”	Mr. Zhou Chunnian (周春年), an executive Director;
“Nanjing Goldenhighway”	Nanjing Goldenhighway International Supply Chain Management Company Limited* (南京金海威國際供應鏈管理有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Nanjing Jinwei Yongzheng”	Nanjing Jinwei Yongzheng Investment Partnership (Limited Partnership)* (南京市金威永正投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“Nanjing Weijinhe”	Nanjing Weijinhe Investment Partnership (Limited Partnership)* (南京市威金合投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong and the Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	Taian Ruokun, Taian Ruopeng, Taian Jinweитай, Nanjing Weijinhe and Nanjing Jinwei Yongzheng;
“Taian Jinweитай”	Tai’an Jinweитай Investment Partnership (Limited Partnership)* (泰安市金威泰投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“Taian Ruokun”	Tai’an Jinwei Ruokun Investment Partnership (Limited Partnership)* (泰安市金威若鯤投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“Taian Ruopeng”	Tai’an Jinwei Ruopeng Investment Partnership (Limited Partnership)* (泰安市金威若鵬投資合夥企業(有限合夥)), a limited partnership established in the PRC;
“Taian Taiying”	Tai’an Taiying Caijian Equity Investment Fund Partnership (Limited Partnership)* (泰安市泰鷹財建股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC and an independent lender to the Target Company;
“Target Company”	Taian Havay Group Co., Ltd.* (泰安漢威集團有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“Target Group”	the Target Company and its subsidiaries; and
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



GHW International

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

Executive Directors:

Mr. Yin Yanbin

(Chairman and Chief Executive Officer)

Mr. Zhuang Zhaohui

Mr. Chen Zhaohui

Mr. Zhou Chunnian

Mr. Chen Hua

Mr. Diao Cheng

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong:

Room 4301, 43/F

Tower One, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

Independent Non-executive Directors:

Mr. Sun Hongbin

Mr. Wang Guangji

Ms. Zheng Qing

21 June 2024

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
CAPITAL INCREASE
AND
DEEMED DISPOSAL OF EQUITY INTEREST
IN A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The Board refers to the announcement of the Company dated 10 May 2024 in relation to the Capital Increase and the transactions contemplated thereunder. The purpose of this circular is to provide you with: (i) the further information regarding the Capital Increase; (ii) the recommendation of the Independent Board Committee; and (iii) the advice of Fortune Financial Capital.

THE CAPITAL INCREASE AGREEMENT

Date

10 May 2024

LETTER FROM THE BOARD

Parties

- (1) The Target Company, a wholly-owned subsidiary of the Company;
- (2) The Existing Shareholders, being (i) Nanjing Goldenhighway, a wholly-owned subsidiary of the Company, and (ii) Taian Taiying; and
- (3) The Subscribers, being (i) Taian Ruokun, (ii) Taian Ruopeng, (iii) Taian Jinweитай, (iv) Nanjing Weijinhe, and (v) Nanjing Jinwei Yongzheng.

Capital Increase

Pursuant to the Capital Increase Agreement, Taian Ruokun, Taian Ruopeng, Taian Jinweитай, Nanjing Weijinhe and Nanjing Jinwei Yongzheng conditionally agreed to contribute RMB20,230,000, RMB3,250,000, RMB1,405,000, RMB8,760,000 and RMB3,130,000 to subscribe for approximately 4.43%, 0.71%, 0.31%, 1.92% and 0.68%, respectively, of the effective interest in the registered capital (as explained in the note to the shareholding table below) of the Target Company as enlarged by the Capital Increase.

The following table sets out the effective interest in the registered capital of the Target Company before and immediately after the completion of the Capital Increase:

	Before Completion		Immediately after Completion and assuming full subscription under the Capital Increase Agreement	
	Effective interest in the registered capital of the Target Company		Effective interest in the registered capital of the Target Company	
	<i>(RMB)</i>	%	<i>(RMB)</i>	%
Existing Shareholders				
Nanjing Goldenhighway <i>(Note)</i>	100,000,000	100.0	100,000,000	91.95
Taian Taiying <i>(Note)</i>	—	—	—	—
Sub-total	100,000,000	100.0	100,000,000	91.95
Subscribers				
Taian Ruokun	—	—	4,816,667	4.43
Taian Ruopeng	—	—	773,809	0.71
Taian Jinweитай	—	—	334,524	0.31
Nanjing Weijinhe	—	—	2,085,714	1.92
Nanjing Jinwei Yongzheng	—	—	745,238	0.68
Sub-total	—	—	8,755,952	8.05
Total	100,000,000	100.0	108,755,952	100.0

LETTER FROM THE BOARD

Note: As disclosed in the annual report of the Company published on 26 March 2021, on 7 February 2021, (i) Taian Taiying, (ii) the Target Company and Nanjing Goldenhighway, and (iii) Mr. Yin, entered into a subscription agreement (as supplemented by a supplemental agreement), pursuant to which the Target Company agreed to increase its registered capital from RMB100 million to approximately RMB117.6 million, and Taian Taiying agreed to subscribe for the additional registered capital (the “**Subscribed Equity Interests**”) of RMB17.6 million with a total subscription amount of RMB150 million (the “**Subscription Amount**”). The Subscribed Equity Interests were issued to Taian Taiying on 5 March 2021. Of the total Subscription Amount of RMB150 million, approximately RMB17.6 million was accounted for as the additional registered capital of the Target Company and the remaining balance of approximately RMB132.4 million was treated as the capital reserve of the Target Company.

Mr. Yin entered into the said subscription agreement and supplemental agreement to provide certain customary representations and warranties jointly with the Target Company and Nanjing Goldenhighway to Taian Taiying, including those relating to the Target Company’s capacity and authority to enter into the agreements and the accuracy of information provided. Taian Taiying is entitled to a fixed return of 7.2% per annum on the outstanding Subscription Amount, payable semi-annually in arrears, for five years. Nanjing Goldenhighway agreed to repurchase 30%, 40% and 30%, respectively, of the Subscribed Equity Interests at each of the third to fifth anniversaries of the issue date of the Subscribed Equity Interests at a price equal to the corresponding proportion of the Subscription Amount, plus any return not paid on the respective repurchase date. Nanjing Goldenhighway is entitled to repurchase any portion of the Subscribed Equity Interests at any time at the same price calculated based on the formula above. Save as disclosed above, Taian Taiying is not entitled to any other returns.

As at the Latest Practicable Date, RMB45 million, or 30% of the Subscription Amount, has been repaid which was used as a reduction of the capital reserve of the Target Company, leaving an outstanding Subscription Amount of RMB105 million. Nanjing Goldenhighway intends to repay the outstanding Subscription Amount by 4 March 2026 and the Subscribed Equity Interests will be treated as repaid upon the full repayment. For the avoidance of doubt, there will not be any change in the terms of the said subscription agreement/supplemental agreement upon completion of the Capital Increase Agreement.

Based on the above, in the opinion of the Directors, the above arrangement with Taian Taiying is a “debt in the form of share” (明股實債) arrangement and Taian Taiying is considered as a lender to the Target Company. As such, as at the Latest Practicable Date, the effective interest in the registered capital of the Target Company is considered to be wholly-owned by the Group, and the Target Company has always been treated as a wholly-owned subsidiary of the Company.

Immediately after the Completion, Nanjing Goldenhighway and the Subscribers will own approximately 91.95% and 8.05% of the effective interest in the registered capital of the Target Company, respectively. The Target Company will no longer be wholly-owned by the Company, but will become a non-wholly owned subsidiary of the Company.

Basis of Determination of the Amount of the Capital Increase

The aggregate amount of the subscription price to be paid by the Subscribers is RMB36,775,000, of which RMB8,755,952 shall be accounted for as the registered capital of the Target Company, while the remaining balance of RMB28,019,048 shall be accounted for as the capital reserve fund of the Target Company.

LETTER FROM THE BOARD

The subscription price under the Capital Increase Agreement was determined by the Target Company, the Existing Shareholders and the Subscribers after arm's length negotiation with reference to, among other things:

- (i) the valuation (the "**Valuation**") of the Target Group as at 31 March 2024 (the "**Valuation Date**") of RMB430,000,000 as appraised by Eidea Professional Services Company Limited (the "**Valuer**"), an independent valuer; For details of the Valuation, please refer to the paragraph headed "Valuation" below;
- (ii) the reasons for and benefits of the Capital Increase as stated under the paragraph headed "Reasons for and Benefits of the Capital Increase"; and
- (iii) the relatively low liquidity of the shares of the Target Company.

The Company adopted a pre-money valuation of RMB420,000,000 of the Target Group (the "**Pre-money Valuation**"), which is the value of the Target Group prior to the Capital Increase. Subsequent to and assuming full subscription under the Capital Increase. Based on the Pre-money Valuation, the subscription price of RMB36,775,000 represented approximately 8.76% of the effective interest in the registered capital of the Target Company. Subsequent to and assuming full subscription under the Capital Increase, the Subscribers will own an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company at the post-money value of the Target Group of RMB456.8 million.

The Pre-money Valuation was arrived based on an arm's length negotiation between the Target Company, the Existing Shareholders and the Subscribers, having considered a slight discount of RMB10 million, representing a discount of 2.3% to the Valuation of RMB430,000,000 of the Target Group appraised by the Valuer (the "**Discount**"), in addition to the DLOM (as defined below) applied by the Valuer in the Valuation.

Having considered (i) the inherent challenges that private companies, such as the Target Company, may encounter to secure equity financing from external investors; (ii) the Discount, although not substantial, can facilitate the reaching of a mutually agreeable agreement with the Subscribers; and (iii) the reasons for and benefits of the Capital Increase as stated under the paragraph headed "Reasons for and Benefits of the Capital Increase", the Board is of the view that the Pre-money Valuation is fair and reasonable.

Conditions Precedent

Conditions precedents to the Subscribers' completion obligations

Each of the Subscriber's obligation to complete the Capital Increase is conditional upon the satisfaction or waiver of the following conditions:

- (a) the representations and warranties given by each of the Target Company and Nanjing Goldenhighway remain true, accurate, complete and not misleading as at the date of the Capital Increase Agreement and the date of Completion;

LETTER FROM THE BOARD

- (b) each of the Target Company and Nanjing Goldenhighway having performed and complied in all respect with all undertakings and obligations contained in the Capital Increase Agreement on or before date of Completion;
- (c) all consents, approvals, notifications, filings or registrations required by the Target Company and Nanjing Goldenhighway having been obtained or made (including but not limited to the internal and external approval, announcement, filing and relevant procedure having been made by the Company); and
- (d) the Capital Increase Agreement and the transactions contemplated thereunder shall have been approved by the shareholders and directors of the Target Company.

Each Subscriber may waive all or part of the aforesaid conditions precedent in respect of its own obligation to complete the Capital Increase. In the event that any of the said conditions precedent has not been fulfilled or waived on or before 31 March 2025 (or such other date as agreed among the Existing Shareholders, the relevant Subscriber(s) and the Target Company in writing), the Capital Increase Agreement will terminate automatically in so far as the relevant Subscriber's obligations to complete the Capital Increase is concerned.

Conditions precedents to the Target Company's and Nanjing Goldenhighway's completion obligations

The Target Company's and Nanjing Goldenhighway's obligation to complete the Capital Increase is conditional upon the satisfaction or waiver of the following conditions:

- (a) the representations and warranties given by each of the Subscribers remain true, accurate, complete and not misleading as at the date of the Capital Increase Agreement and the date of Completion;
- (b) each of the Subscribers having performed and complied in all respect with all undertakings and obligations contained in the Capital Increase Agreement on or before date of Completion;
- (c) all consents, approvals, notifications, filings or registrations required by each of the Subscribers having been obtained or made; and
- (d) the Capital Increase Agreement and the transactions contemplated thereunder shall have been approved by the Independent Shareholders.

Save for condition precedent in (d), the Target Company and Nanjing Goldenhighway may waive all or part of the aforesaid conditions precedent. In the event that any of the said conditions precedent has not been fulfilled or waived by a Subscriber on or before 31 March 2025 (or such other date as agreed among the Existing Shareholders, Subscribers and the Target Company in writing), the Target Company and Nanjing Goldenhighway will not have the obligation to complete the Capital Increase with the relevant Subscriber which shall not impede the right of the Target Company and Nanjing Goldenhighway to complete the Capital Increase with the other Subscriber(s).

As at the Latest Practicable Date, none of the conditions precedent have been fulfilled.

LETTER FROM THE BOARD

Payment of Subscription Price and Completion

Pursuant to the Capital Increase Agreement, the Subscribers shall pay their respective subscription amount within 10 business days after the fulfilment or waiver (as the case may be) of all the conditions precedents.

The date on which the procedures for the alteration of industry and commerce registrations in respect of the Capital Increase of a Subscriber are completed shall be deemed to be the date of Completion of its own Capital Increase.

For the avoidance of doubt, the Completion of the Capital Increase of each of the Subscribers is independent of each other. Unless otherwise agreed in the Capital Increase Agreement, the failure of a Subscriber to consummate the Capital Increase shall not impede the right of the other Subscribers to consummate.

Within 30 days of the Completion, the Target Company shall provide an updated register of members and capital contribution certificate to the relevant Subscriber.

VALUATION

According to the Valuation, the appraised value of the entire equity interest of the Target Group as at 31 March 2024 was RMB430,000,000.

Valuation Methodology

In preparing the Valuation, the Valuer has considered three generally accepted approaches, namely the income approach, the market approach and the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of the anticipated future economic benefits generated by the subject asset. Based on this valuation principle, the income approach converts the subject asset's future cash flow to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Market Approach

The market approach provides an indication of value by comparing the subject asset with identical or similar assets that have been sold in the market, with appropriate adjustments made to reflect the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

LETTER FROM THE BOARD

Cost Approach

The cost approach provides an indication of value based on the principle that a prudent investor will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset, with adjustment made to reflect accrued depreciation arising from physical deterioration and all other relevant forms of obsolescence.

Selected Approach

As discussed with the Valuer, each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. In the Valuation, the income approach is not adopted considering the valuation result of the income approach is heavily dependent on the financial projection provided, in which the inputs are unobservable and subjective. The cost approach is also not considered applicable as it fails to capture the future earnings potential of the Target Group. Among the three approaches, the Valuer considered that the market approach is more appropriate in the Valuation.

Key Assumptions

Certain key assumptions were used in the Valuation, including but not limited to:

- (i) the Valuation reflects the reasonable conditions existing as at the Valuation Date. The subsequent events and uncertainties are beyond the control of the Company and the Valuer;
- (ii) the financial information provided by the Company provides a true and fair view of the Target Group and is prepared in accordance with the applicable accounting standards;
- (iii) there will be no material change in the interest rates and exchange rates in the regions in which the Target Group operates; and
- (iv) there will be no material change in the political, legal, technological, economic or other conditions which would adversely affect the industry and profitability of the Target Group.

Valuation Multiple

In preparing the Valuation, the Valuer has considered the price to earnings (“**P/E**”) multiple, price to book (“**P/B**”) multiple, enterprise value to sales (“**EV/S**”) multiple and enterprise value to earnings before interest tax depreciation and amortization (“**EV/EBITDA**”) multiple.

LETTER FROM THE BOARD

P/B Multiple

The P/B multiple has not been adopted in the Valuation since the book value of equity is incapable to reflect the values of intangible assets such as the know-hows and client relationship possessed by the Target Group.

P/E Multiple

The P/E multiple has not been adopted in the Valuation since the Target Group after earning normalization which excludes non-recurring and non-operating items continues to be loss-making.

EV/S Multiple

The EV/S multiples has not been adopted in the Valuation since the sales figure is incapable to reflect the differences in cost structure between the Target Group and the comparable companies.

Selected Valuation Multiple

The Valuer considered the EV/EBITDA multiple is the most appropriate multiple for valuing the Target Group as it measures the profitability of the Target Group as an entire entity, is capital structure neutral and eliminates the difference in taxation, and depreciation and amortization policies across different comparable companies. Thus, EV/EBITDA multiple is employed in the Valuation.

Selection Criteria of Comparable Companies

The Valuer has identified eight comparable companies in the Valuation based on the following selection criteria:

- (i) the comparable companies shall be listed in mature stock markets;
- (ii) the comparable companies shall be in the same industry as the Target Group and are mainly engaged in the manufacture and sale of animal nutrition and feed additives;
- (iii) the comparable companies shall report positive EBITDA for the last twelve months;
- (iv) relevant information about the comparable companies shall be available and publicly disclosed; and
- (v) no observable outliers shall be considered.

LETTER FROM THE BOARD

Comparable Companies

The list of comparable companies and the respective EV/EBITDA is set out in the table below:

Company Name	EV/EBITDA
Company A ⁽¹⁾	11.59
Company B ⁽²⁾	19.60
Company C ⁽³⁾	17.11
Company D ⁽⁴⁾	11.73
Company E ⁽⁵⁾	5.02
Company F ⁽⁶⁾	5.91
Company G ⁽⁷⁾	18.56
Company H ⁽⁸⁾	<u>64.76</u>
Adopted EV/EBITDA multiple (adjusted mean)	<u><u>14.08</u></u>

Source: Bloomberg database and the latest financial statements of the comparable companies

Notes:

1. Company A is principally engaged in the manufacture and marketing of organic chemical products and feed additives. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB4,943 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
2. Company B is principally engaged in the manufacture and sale of feed additives, feed additive premix, veterinary medicine powder and granules. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB85 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
3. Company C is principally engaged in the manufacture and distribution of feed additives. It also provides animal nutrition solutions for feed enterprises and breeding companies. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB79 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
4. Company D is principally engaged in the manufacture and marketing of feed additives. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB2,078 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
5. Company E is principally engaged in the manufacture and marketing of biochemical pharmaceuticals and food and feed additive products. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB2,050 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.

LETTER FROM THE BOARD

6. Company F is principally engaged in the manufacture of feed and food additives, including but not limited to amino acids, glutamine, inositol, phytin and seasonings. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB4,947 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
7. Company G is principally engaged in the manufacture of biotechnology products, including but not limited to feed enzyme preparations, animal vaccines and animal health drugs. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB173 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.
8. Company H is principally engaged in the manufacture and distribution of functional additives, including but not limited to micro-ecological preparations and feed enzyme preparations. According to the latest financial statements available as at the Valuation Date, the trailing 12-month EBITDA reported is around RMB13 million with over 50% of its revenue derived from feed additives related businesses. The company has a substantial portion of its manufacturing located in China and distributes its products both domestically and globally.

Company E and Company H were identified as outliers by the Valuer and were excluded in determining the adjusted mean of EV/EBITDA multiple. As discussed with the Valuer, Company E and H were considered as outliers and were excluded because they have the highest EV/EBITDA multiple of 64.76 times and lowest EV/EBITDA multiples of 5.02 times amongst the Comparable companies and might provide an abnormal result to the analysis. As noted from the Valuer, the median of comparable companies of 14.35 times was also taken into account when determining the outliers, which was in line with the adjusted mean of EV/EBITDA multiple of 14.08 times. The Valuer is of the view that excluding the Company F, which has a EV/EBITDA multiple of 5.91 times, as an outlier would lead to a larger variance between the median and the adjusted mean. Such variance represents an upward bias which might skew the overall result. As such, the Valuer is of the view and the Independent Financial Adviser concurs that, the exclusion of the outliers is fair and reasonable.

As discussed with the Valuer, although there is difference in the operating scale between the Target Group and the eight comparable companies identified by the Valuer, size adjustment is not applied on the EV/EBITDA multiple since (i) incorporating size adjustment adds an additional layer of complexity to the analysis where determining the appropriate size adjustment can be subjective; (ii) upon reviewing the comparable companies, there is no clear evidence that size is a significant driver of valuation differences; and (iii) the sample size provide sufficient reference for the Valuation, taking into account that the operating scale of the Target Group fell between the range of operating scales made up by the comparable companies). Having considered the aforesaid factors, the Board is of the view that the adopted EV/EBITDA is fair and reasonable.

Discount for Lack of Marketability (“DLOM”)

The Valuer has adopted a DLOM of 20.5% in the Valuation to compensate for the potential difficulty of selling the investments, which are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets.

The DLOM of 20.5% is based on the 2023 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC., a preeminent firm offering a broad range of financial advisory services to private and public companies.

LETTER FROM THE BOARD

Appraised Value of the Target Group

The Valuer has multiplied the adjusted mean of the EV/EBITDA multiples of 14.08 derived from the list of Comparable companies with the estimated trailing 12-month EBITDA of the Target Group of approximately RMB76,219,000 to arrive at the enterprise value of the Target Group. The estimated trailing 12-month EBITDA of the Target Group was derived on pro-rata basis based on the financial statements of the Target Group for the year ended 31 December 2023 and the three months ended 31 March 2024, excluding any non-recurring and non-operating items. The Valuer then adjusted the derived enterprise value with non-operating balance sheet items as at 31 March 2024, by addition of the cash and cash equivalent of approximately RMB77 million and non-operating assets (which comprises mainly of loan receivables) of approximately RMB17 million and deduction of borrowings (including loans from related companies and lease liabilities) of approximately RMB626 million, and adopting a DLOM of 20.5%, to arrive at the fair value of 100% equity interest of the Target Group of approximately RMB430,000,000.

View of the Board on the Valuation

The Board had reviewed and analyzed the assumptions and methodology of the Valuation, and enquired with the Valuer and the Company's management about the valuation and its assumptions and methodology, which included but not limited to the market approach, key assumptions and EV/EBITDA multiple adopted for the preparation of the Valuation, comparable listed companies selected by the Valuer and the calculation of the Valuation. In view of the aforesaid, the Board considered that the assumptions and methodology of the Valuation to be fair and reasonable.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The purpose and objective of the Capital Increase is to (i) provide an opportunity to the employees of the Group, who are the ultimate beneficial owners of the Subscribers, to subscribe for a stake in the Target Company; and (ii) strengthen the capital base of the Target Company.

The Directors are of the view that by providing the employees an opportunity to subscribe for a stake in the Target Company, it will align the employees' interests with the goals of the Target Company and the Group, and thereby enhance employee retention and contribute to the long-term development of the Group.

The Directors have also considered the debt ratio and liquidity position of the Company and is of the view that the Capital Increase will provide a good opportunity to improve the liquidity of the Target Group which, in turn, will bolster the Target Company's ability to undertake necessary capital expenditures and pursue business opportunities, including but not limited to the construction of a factory in Vietnam. It is expected that the capital requirement for the construction of the factory in Vietnam would be approximately RMB4.1 million.

Having considered the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Group as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) Mr. Yin, an executive Director, is a general partner of each of the Subscribers with not more than 1% partnership interest in each of the Subscribers; and (ii) Mr. Zhou, Mr. Chen and Mr. Diao, each an executive Director, are limited partners of Nanjing Weijinhe who held approximately 15.98%, 11.42% and 5.71% partnership interest, respectively. Accordingly, each of Mr. Yin, Mr. Zhou, Mr. Chen and Mr. Diao is considered to have a material interest in the Capital Increase and has abstained from voting on the board resolution approving the Capital Increase.

Save as disclosed, none of the other Directors has a material interest in the Capital Increase or is required to abstain from voting from the resolution of the Directors for considering and approving the same pursuant to the articles of association of the Company.

FINANCIAL EFFECT ARISING FROM THE DEEMED DISPOSAL ON THE GROUP

Upon Completion and assuming full subscription under the Capital Increase Agreement, the effective interest in the registered capital of the Target Company held by the Group will be diluted from 100% to approximately 91.95%. The Target Company will become a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the financial statements of the Group.

Upon completion of the transaction, the Group still owns approximately 91.95% equity interest in the Target Company and the Target Company will remain a subsidiary of the Company. Therefore, according to the applicable International Financial Reporting Standards, the transaction is considered to be equity transaction and it is expected that the Company will not record any gain or loss arising from the Capital Increase. In any event, the actual gain or loss as a result of the Deemed Disposal to be recorded by the Group is to be determined as at Completion and subject to audit.

Based on a preliminary assessment, it estimated that the Group will record net proceeds on the Capital Increase of approximately RMB36,359,000, which is equal to RMB36,775,000 (being the capital contribution under the Capital Increase Agreement) less RMB416,000 (being the legal and other professional fees of HK\$458,000 in relation to the Capital Increase).

The net proceeds from the Capital Increase will be applied as follows:

- (i) 90% of the net proceeds for the repayment of the existing debts; and
- (ii) 10% of the net proceeds for daily operations of the Group.

LETTER FROM THE BOARD

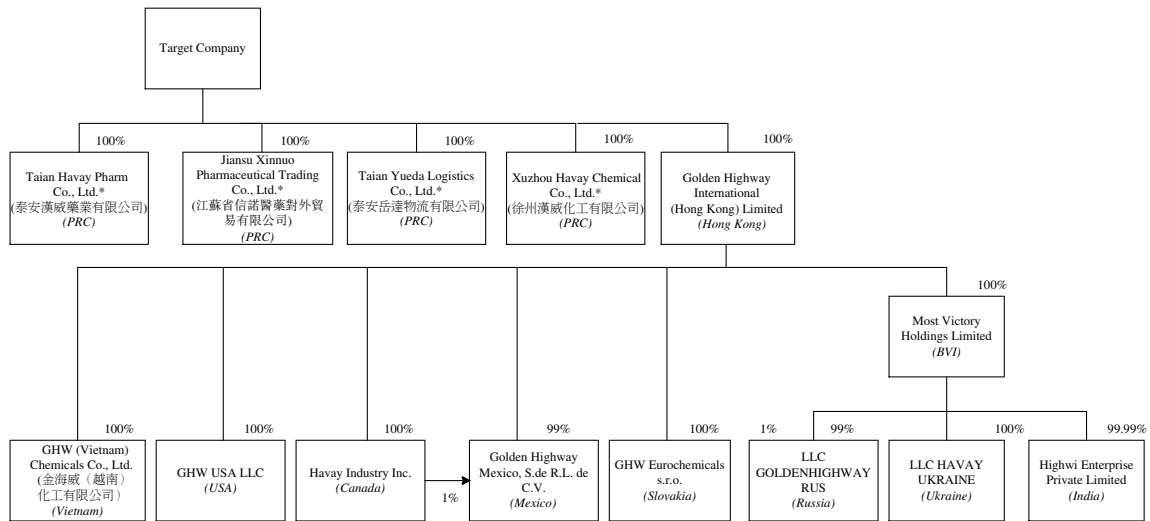
INFORMATION OF THE GROUP

The Group is an applied chemical intermediates provider in the integrated chemical services market headquartered in the PRC, which is primarily engaged in the production and sales of chemicals and sales of chemicals produced by third party manufacturers based in the PRC, the Southeast Asia region, Europe and the United States. The Group offers a comprehensive product portfolio with a wide range of applications and a full spectrum of services relating to chemical intermediates supply chain through the extensive global operation and sales network, including research and development on production processes, strong product customization capabilities, manufacturing of quality chemical products, sourcing of wide-ranging chemicals manufactured by third party manufacturers, efficient and safe logistics services and after-sales services.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC which is principally engaged in the manufacture and sale of animal nutrition and feed additives.

Set forth below is the corporate structure of the Target Group as at the Latest Practicable Date:



As at the Latest Practicable Date, notwithstanding that the Target Company is owned as to 85% by Nanjing Goldenhighway and 15% by Taian Taiying on record, the effective interest in the registered capital of the Target Company was wholly owned by Nanjing Goldenhighway, and the Target Company is treated as a wholly-owned subsidiary of the Company as detailed in the paragraph headed “The Capital Increase Agreement — Capital Increase” above.

LETTER FROM THE BOARD

The table below sets out the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2022 and 2023 and the three months ended 31 March 2024:

	For the year ended 31 December		For the three months ended
	2022	2023	31 March
	(RMB'000)	(RMB'000)	2024 (RMB'000)
Revenue	2,296,350	2,198,434	614,416
Profit before tax	272,192	1,212	(1,942)
Profit after tax	242,659	10,342	(3,904)

The unaudited consolidated net asset value of the Target Group as at 31 December 2023 and 31 March 2024 was approximately RMB410.4 million and RMB406.8 million, respectively.

INFORMATION OF THE EXISTING SHAREHOLDERS

Nanjing Goldenhighway

Nanjing Goldenhighway is a limited liability company established in the PRC which is principally engaged in the provision of management service for the material procurement, and the logistics and sales of products the Group.

Nanjing Goldenhighway is wholly owned by GHW Holdings Limited, a wholly-owned subsidiary of the Company.

Taian Taiying

Taian Taiying is a limited partnership established in the PRC which is principally engaged in the provision of consultancy service in connection with equity investment. Changying Venture Capital Management (Beijing) Co., Ltd.* (長鷹創業投資管理(北京)有限公司) is the general partner of Taian Taiying.

LETTER FROM THE BOARD

The partnership interest of Taian Taiying is set out in the table below:

Name	Percentage of equity interest in Taian Taiying
Tai'an Dongyue Financial Investment Co., Ltd.* (泰安市東嶽金財投資有限公司) ⁽¹⁾	67.99%
Tai'an Caiyuan Construction Investment Co., Ltd.* (泰安市財源建設投資有限公司) ⁽²⁾	20.00%
Shandong New Kinetic Energy Fund Management Co., Ltd.* (山東省新動能基金管理有限公司) ⁽³⁾	10.00%
Tai'an Taishan Urban Construction Investment Co., Ltd.* (泰安市泰山城市建設投資有限公司) ⁽⁴⁾	2.00%
Changying Venture Capital Management (Beijing) Co., Ltd.* (長鷹創業投資管理(北京)有限公司) ⁽⁵⁾	0.01%
Total	100.00%

Notes:

1. Tai'an Dongyue Financial Investment Co., Ltd. is wholly-owned by Tai'an Finance Bureau* (泰安市財政局).
2. Tai'an Caiyuan Construction Investment Co., Ltd. is wholly-owned by Tai'an Finance Bureau.
3. Shandong New Kinetic Energy Fund Management Co., Ltd. is wholly-owned by Shandong Province Department of Finance* (山東省財政廳).
4. Tai'an Taishan Urban Construction Investment Co., Ltd. is owned as to 92.90% by Tai'an Finance Bureau, 2.60% by the Ministry of Finance of the PRC* (中華人民共和國財政部), 2.50% by the The State Council of the People's Republic of China* (中華人民共和國國務院), 1.90% by the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange* (國家外匯管理局中央外匯業務中心) and 0.10% by the National Council for Social Security Fund* (全國社會保障基金理事會).
5. Changying Venture Capital Management (Beijing) Co., Ltd. is owned as to 28.50% by Beihang University (北京航空航天大學), 23.00% by Yu Kailei (郁凱雷), 14.60% by Jin Jian (金健), 11.00% by Lu Kunyan (呂坤延), 10.6% by Gong Meiling (鞏美玲), 4.20% by Chen Xuemei (陳雪梅), 3.00% by Zhang Jun (張軍), 2.69% by Li Hai (李海), 1.20% by Xu Liangqi (徐良奇), 1.00% by Wang Xing (王星), 0.20% by Chen Long (陳龍) and 0.01% by Sun Hanbing (孫漢兵).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Taian Taiying and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

INFORMATION OF THE SUBSCRIBERS

Taian Ruokun

Taian Ruokun is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Ruokun has one general partner, namely Mr. Yin, and 36 limited partners.

The partners of Taian Ruokun are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Management of major subsidiaries	5	2.32%	11.6
Supply chain	2	0.08%	11.0
Research	7	0.54%	10.4
Production	15	0.88%	10.1
Other department	7	0.61%	8.1
Total	37	4.43%	

The source of fund of Taian Ruokun comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Ruokun is an employee of the Group.

Taian Ruopeng

Taian Ruopeng is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Ruopeng has one general partner, namely Mr. Yin, and 42 limited partners.

LETTER FROM THE BOARD

The partners of Taian Ruopeng are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon completion of the Capital Increase	Average years of service in the Group
Key management staff	1	0.00%	31.0
Supply chain	7	0.11%	7.4
Research	5	0.11%	8.4
Production	26	0.43%	9.3
Other department	4	0.06%	6.0
Total	43	0.71%	

The source of fund of Taian Ruopeng comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Ruopeng is an employee of the Group.

Taian Jinweитай

Taian Jinweитай is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Jinweитай has one general partner, namely Mr. Yin, and 37 limited partners.

The partners of Taian Jinweитай are core members that serve important functions of the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Supply chain	4	0.02%	5.5
Research	6	0.05%	5.8
Production	25	0.23%	6.3
Other department	2	0.01%	6.5
Total	38	0.31%	

LETTER FROM THE BOARD

The source of fund of Taian Jinweитай comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Jinweитай is an employee of the Group.

Nanjing Weijinhe

Nanjing Weijinhe is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Nanjing Weijinhe has one general partner, namely Mr. Yin, and 20 limited partners.

The partners of Nanjing Weijinhe are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	4	0.64%	26.0
Management of major subsidiaries	10	0.60%	19.7
Sales	3	0.12%	18.3
Other department	4	0.56%	13.3
Total	21	1.92%	

The source of fund of Nanjing Weijinhe comes from each individual shareholder. Save for Mr. Yin, Mr. Diao, Mr. Zhou and Mr. Chen who are executive Directors, each of the other shareholders of Nanjing Weijinhe is an employee of the Group.

Nanjing Jinwei Yongzheng

Nanjing Jinwei Yongzheng is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Nanjing Jinwei Yongzheng has one general partner, namely Mr. Yin, and 49 limited partners.

LETTER FROM THE BOARD

The partners of Nanjing Jinwei Yongzheng are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Management of major subsidiaries	2	0.08%	18.5
Sales	20	0.29%	10.3
Supply chain	13	0.12%	9.2
Other department	14	0.19%	12.9
Total	50	0.68%	

The source of fund of Nanjing Jinwei Yongzheng comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Nanjing Jinwei Yongzheng is an employee of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Upon Completion and assuming full subscription under the Capital Increase Agreement, the effective interest in the registered capital of the Target Company held by the Group will be reduced from 100% to approximately 91.95%. The Capital Increase therefore constitutes a deemed disposal under Rule 14.29 of the Listing Rules for the Company.

To the best of the Directors' knowledge after making all reasonable enquiries, as at the Latest Practicable Date, each of the Subscribers is a limited partnership of which Mr. Yin, the founder of the Group and an executive Director, is a general partner. Accordingly, each of the Subscribers is an associate of Mr. Yin and thus a connected person of the Company. Given that the Capital Increase involves simultaneous subscriptions of an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company, the subscriptions from different Subscribers were treated as a single transaction which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the percentage ratios (as defined under Rule 14.07 of the Listing Rules) applicable to the Company in respect of the Capital Increase exceed 5% but all are less than 25%, the Capital Increase constitutes (i) a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempted connected transaction for the Company and is subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM AND PROXY ARRANGEMENT

The EGM Notice is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, resolution will be proposed to the Shareholders for approval regarding, among others, the Capital Increase and the transactions contemplated thereunder.

A form of proxy for use in connection with the EGM is enclosed with this circular and such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenhighway.com).

If any Shareholder is not able to attend the EGM in person but wish to exercise his/her/its right as a Shareholder, the Shareholder is requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than 4 p.m. on Saturday, 13 July 2024 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the EGM or its adjournment (as the case may be) should he/she/it so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

As (i) Commonwealth B Limited is owned as to 80% by Commonwealth Yanbin Limited which is in turn wholly-owned by Mr. Yin; and (ii) Commonwealth Happy Elephant Limited is owned as to approximately 98.26% by Commonwealth YYB Limited which is in turn wholly-owned by Mr. Yin, Commonwealth B Limited and Commonwealth Happy Elephant Limited are regarded as having a material interest in the Capital Increase Agreement and the transactions contemplated thereunder. As such, Commonwealth B Limited and Commonwealth Happy Elephant Limited, who held 375,000,000 Shares and 178,141,500 Shares, representing approximately 37.50% and 17.81% of the issued share capital of the Company respectively, will abstain from voting on the resolution in relation to the Capital Increase Agreement and the transactions contemplated thereunder at the EGM.

For the avoidance of doubt, Endless Reward Limited, the trustee of GHW International Employee Incentive Trust which held 50,900,000 Shares as at the Latest Practicable Date, representing 5.09% of the issued share capital of the Company, is not entitled to any voting rights in respect of the Shares held by it.

LETTER FROM THE BOARD

Save as disclosed, no Shareholders or any of their respective associates have any material interest in the Capital Increase Agreement and the transactions contemplated thereunder and thus none of the Shareholders is required to abstain from voting at the EGM.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The resolution to be proposed at the EGM do not relate purely to a procedural or administrative matter. Accordingly, the resolution set out in the EGM Notice will be put to vote by way of poll at the EGM. An announcement on the results of the vote by poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Your attention is drawn to the letter of the Independent Board Committee set out on pages 25 to 26 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 48 of this circular, in respect of the terms of the Capital Increase Agreement.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that although the entering into of the Capital Increase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Capital Increase Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the entering into of the Capital Increase Agreement 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 resolution to be proposed for approving the Capital Increase Agreement.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the proposed resolution for approval of the the Capital Increase and the transactions contemplated thereunder, and accordingly, recommend all Shareholders to vote in favour of the resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
GHW International
Yin Yanbin
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders which was prepared for the purpose of inclusion in this circular



GHW International

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

21 June, 2024

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO CAPITAL INCREASE
AND
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

We refer to the circular of the Company dated 21 June 2024 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Capital Increase and the relevant transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 4 to 24 of the Circular which contain information in connection with the Capital Increase and the relevant transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 27 to 48 of the Circular which contains its advice and recommendation in the same respect.

Having considered the terms of the Capital Increase Agreement, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that although the entering into of the Capital Increase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We recommend the Independent Shareholders to vote in favour of the Capital Increase.

Yours faithfully,
for and on behalf of
Independent Board Committee of
GHW International

Sun Hongbin

Wang Guangji

Zheng Qing

Independent non-executive Directors

LETTER FROM FORTUNE FINANCIAL CAPITAL

The following is the full text of the letter received from Fortune Financial Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders prepared regarding the Capital Increase and Deemed Disposal of Equity Interest in a Subsidiary.

4102-06, 41/F, COSCO Tower
183 Queen's Road Central
Hong Kong



21 June 2024

To the Independent Board Committee and the Independent Shareholders

GHW International
Room 4301, 43/F, Tower One, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO CAPITAL INCREASE AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the ordinary and usual course of the business of the Group and in the interests of the Company and its Shareholders as a whole. Details of the Capital Increase Agreement and the transactions contemplated thereunder are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 21 June 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise defined or the context requires otherwise.

On 10 May 2024, the Target Company, a wholly owned subsidiary of the Company, entered into the Capital Increase Agreement with Nanjing Goldenhighway, Taian Taiying and the Subscribers, pursuant to which the Subscribers conditionally agreed to contribute an aggregate of RMB36,775,000 for the subscription of an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company.

LETTER FROM FORTUNE FINANCIAL CAPITAL

As at the Latest Practicable Date, (i) Mr. Yin, an executive Director is a general partner of each of the Subscribers with not more than 1% partnership interest in each of the Subscribers; and (ii) Mr. Zhou, Mr. Chen and Mr. Diao, each an executive Director, are limited partners of Nanjing Weijinhe who held 15.98%, 11.42% and 5.71% partnership interest, respectively. Accordingly, each of Mr. Yin, Mr. Zhou, Mr. Chen and Mr. Diao is considered to have a material interest in the Capital Increase. As such, each of Mr. Yin, Mr. Zhou, Mr. Chen and Mr. Diao has abstained from voting on the board resolutions approving the Capital Increase.

Save as disclosed, none of the other Directors has a material interest in the Capital Increase or is required to abstain from voting from the resolutions of the Directors for considering and approving the same pursuant to the articles of association of the Company.

LISTING RULES IMPLICATIONS

Upon Completion and assuming full subscriptions under the Capital Increase Agreement, the effective interest in the registered capital of the Target Company held by the Group will be reduced from 100% to approximately 91.95%, the Capital Increase therefore constitutes a deemed disposal under Rule 14.29 of the Listing Rules for the Company.

To the best of the Directors' knowledge after making all reasonable enquiries, as at the Latest Practicable Date, each of the Subscribers is a limited partnership of which Mr. Yin, the founder of the Group and an executive Director, is a general partner. Accordingly, each of the Subscribers is an associate of Mr. Yin and thus a connected person of the Company. Given that the Capital Increase involves simultaneous subscriptions of an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company, the subscriptions from different Subscribers were treated as a single transaction which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the percentage ratios (as defined under Rule 14.07 of the Listing Rules) applicable to the Company in respect of the Capital Increase exceed 5% but all are less than 25%, the Capital Increase constitutes (i) a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempted connected transaction for the Company and is subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Commonwealth B Limited is owned as to 80% by Commonwealth Yanbin Limited which is in turn wholly-owned by Mr. Yin; and (ii) Commonwealth Happy Elephant Limited is owned as to approximately 98.26% by Commonwealth YYB Limited which is in turn wholly-owned by Mr. Yin, Commonwealth B Limited and Commonwealth Happy Elephant Limited are regarded as having a material interest in the Capital Increase Agreement and the transactions contemplated thereunder. As such, Commonwealth B Limited and Commonwealth Happy Elephant Limited, who held 375,000,000 Shares and 178,141,500 Shares, representing approximately 37.50% and 17.81% of the issued share capital of the Company respectively, will abstain from voting on the resolution in relation to the Capital Increase Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM FORTUNE FINANCIAL CAPITAL

For the avoidance of doubt, Endless Reward Limited, the trustee of GHW International Employee Incentive Trust which held 50,900,000 Shares as at the Latest Practicable Date, representing 5.09% of the issued share capital of the Company, is not entitled to any voting rights in respect of the Shares held by it.

Save as disclosed, no Shareholders or any of their respective associates have any material interest in the Capital Increase Agreement and the transactions contemplated thereunder and thus none of the Shareholders is required to abstain from voting at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Sun Hongbin, Mr. Wang Guangji and Ms. Zheng Qing, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Capital Increase Agreement and the transactions contemplated thereunder.

We, Fortune Financial Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regards has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group, the parties to the Capital Increase Agreement or their respective core connected persons that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of our appointment, we have not acted in the capacity as financial adviser or as an independent financial adviser or in any other capacity to the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Subscribers and any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

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

- (i) the Capital Increase Agreement;
- (ii) the valuation report (the “**Valuation Report**”), prepared by Eidea Professional Services Company Limited (the “**Valuer**”), an independent valuer. For details of the Valuation Report, please refer to the paragraph headed “Valuation” in the Letter from the Board;

LETTER FROM FORTUNE FINANCIAL CAPITAL

- (iii) the Company's annual report for FY2022 (the "**2022 Annual Report**") and FY2023 (the "**2023 Annual Report**");
- (iv) unaudited consolidated financial statements of the Target Group for the year ended 31 December 2022 and 2023 and the three months ended 31 March 2024; and
- (v) other information as set out in the Circular.

We have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group (the "**Management**"). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Directors. We have assumed that (i) all statements, information and representations provided by the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the date of the Circular. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Capital Increase and the transactions contemplated thereunder. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, the parties to the Capital Increase Agreement or their respective core connected persons (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the Capital Increase.

We have not made any independent evaluation of the Target Group, and we have not been furnished with any such evaluation, save as and except for the Valuation Report. Since we are not experts in the business valuation of companies, we have relied upon the Valuation Report for the fair value of the Target Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Capital Increase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is an applied chemical intermediates provider in the integrated chemical services market headquartered in the PRC, which is primarily engaged in the production and sales of chemicals and sales of chemicals produced by third party manufacturers based in the PRC, the Southeast Asia region, Europe and the United States. The Group offers a comprehensive product portfolio with a wide range of applications and a full spectrum of services relating to chemical intermediates supply chain through the extensive global operation and sales network, including research and development on production processes, strong product customization capabilities, manufacturing of quality chemical products, sourcing of wide-ranging chemicals manufactured by third party manufacturers, efficient and safe logistics services and after-sales services.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Set out below is a summary of the audited financial information of the Group for the year ended 31 December 2022 (“**FY2022**”) and the year ended 31 December 2023 (“**FY2023**”) as extracted from the 2023 Annual Report.

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue (by type of goods)		
- Animal nutrition	1,059,706	1,180,366
- Medicine	734,352	754,048
- Fine chemicals	720,607	732,114
- Polyurethane materials	689,579	698,839
- Others	<u>13,425</u>	<u>13,340</u>
Total Revenue	<u><u>3,217,669</u></u>	<u><u>3,378,707</u></u>
Gross Profit	<u><u>336,980</u></u>	<u><u>657,900</u></u>
<i>Gross Profit Margin</i>	<i>10.5%</i>	<i>19.5%</i>
Profit for the year	<u><u>2,724</u></u>	<u><u>274,627</u></u>

According to the 2023 Annual Report, the revenue of the Group for FY2023 was approximately RMB3,217.7 million, representing a decrease of approximately 4.8% as compared to FY2022. Such decrease was mainly attributable to the decrease in revenue generated from sales of animal nutrition chemicals resulting from the decrease in our average selling prices of choline chloride and betaine, which is partially offset by the increase in sales volume of choline chloride and the launch of our new product, methylamine.

The Group’s gross profit decreased from approximately RMB657.9 million for FY2022 to approximately RMB337.0 million for FY2023. The Group’s overall gross profit margin decreased from 19.5% for FY2022 to approximately 10.5% for FY2023. Such decrease was mainly due to the decrease in the gross profit and gross profit margin of (i) the Group’s animal nutrition chemicals segment as a result of the decrease in market price and the excess supply of choline chloride and betaine in the market; and (ii) the Group’s iodine and iodine derivatives, as a result of the record high global market price of iodine over FY2023, which led to tightening profit margin of iodine and iodine derivatives;

LETTER FROM FORTUNE FINANCIAL CAPITAL

The Group's net profit decreased from approximately RMB274.6 million for FY2022 to approximately RMB2.7 million for FY2023 mainly due to the combined effect of (i) the drop of gross profit as aforementioned; and (ii) the increase in administrative expenses from approximately RMB104.5 million for FY2022 to approximately RMB123.5 million for FY2023, attributed to the increase in transportation expense and advisory fees, which was partly offset by the tax credit of approximately RMB9.5 million recorded in FY2023 as compared to a tax expenses of approximately RMB33.4 million for FY2022.

Set out below is a summary of the consolidated assets and liabilities of the Group as at 31 December 2023 as extracted from the 2023 Annual Report.

	As at 31 December 2023 <i>RMB'000</i> <i>(audited)</i>
Assets	
- Non-current assets	852,542
- Current assets	<u>889,820</u>
Total Assets	<u>1,742,362</u>
Liabilities	
- Non-current liabilities	276,465
- Current liabilities	<u>884,480</u>
Total Liabilities	<u>1,160,945</u>
Net current assets	<u>5,340</u>
Net assets	<u>581,417</u>
Equity attributable to owners of the Company	<u>581,417</u>

For the financial position of the Group, as at 31 December 2023, the Group's non-current assets amounted to approximately RMB852.5 million which mainly consist of (i) property, plant and equipment of approximately RMB779.3 million; and (ii) right-of-use assets of approximately RMB50.3 million. The Group's current assets amounted to approximately RMB889.8 million which mainly consist of (i) inventories of approximately RMB340.1 million; (ii) trade receivables of approximately RMB224.0 million; (iii) other receivables and prepayments of approximately RMB 109.7 million; (iv) bill receivables at fair value through other comprehensive income of approximately RMB100.8 million; and (v) cash and cash equivalents of approximately RMB77.4 million. The major

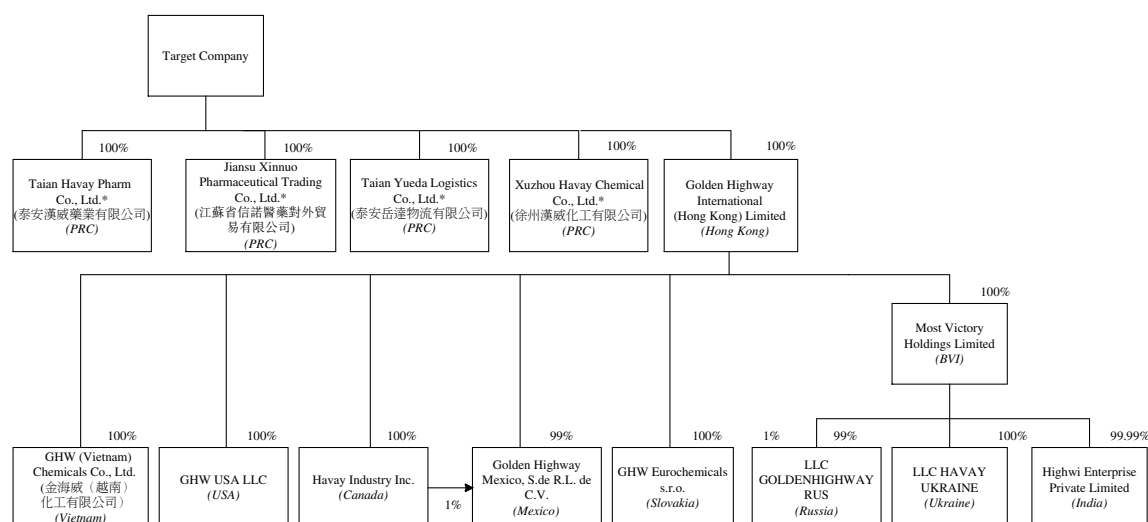
LETTER FROM FORTUNE FINANCIAL CAPITAL

liabilities of the Group include (i) borrowings (including loans from related companies) of approximately RMB711.7 million; and (ii) trade and bill payables of approximately RMB275.0 million. As at 31 December 2023, the Group's net assets amounted to approximately RMB581.4 million and remained stable as compared to the net assets of RMB602.6 million as at 31 December 2022.

2. Background information of The Target Company

The Target Company is a limited liability company established in the PRC which is principally engaged in the manufacture and sale of animal nutrition and feed additives.

Set forth below is the corporate structure of the Target Group as at the Latest Practicable Date:



As at the Latest Practicable Date, notwithstanding that the Target Company is owned as to 85% by Nanjing Goldenhighway and 15% by Taian Taiying on record, the effective interest in the registered capital of the Target Company was wholly owned by Nanjing Goldenhighway, and the Target Company is treated as a wholly-owned subsidiary of the Company as detailed in the paragraph headed “The Capital Increase Agreement — Capital Increase” in the Letter from the Board.

Set out below is a summary of the unaudited consolidated financial information of Target Group for FY2022, FY2023 and the three months ended 31 March 2024:

	For the year ended 31 December		For the three months ended
	2022	2023	ended 31 March 2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	2,296,350	2,198,434	614,416
Profit/(loss) before tax	272,192	1,212	(1,942)
Profit/(loss) after tax	242,659	10,342	(3,904)

LETTER FROM FORTUNE FINANCIAL CAPITAL

The Target Group turnaround from net profit in FY2023 to net loss for the three months ended 31 March 2024, which was mainly due to the decrease in gross profit margin of certain products in the first quarter of 2024, such as choline chloride, attributed to the temporary decrease in the selling price of these products, as compared to FY2023.

The unaudited consolidated net asset value of the Target Group as at 31 December 2023 and 31 March 2024 was approximately RMB410.4 million and RMB 406.8 million respectively.

3. Background information of the Existing Shareholders

Nanjing Goldenhighway

Nanjing Goldenhighway is a limited liability company established in the PRC which is principally engaged in the provision of management service for the material procurement, and the logistics and sales of products the Group.

Nanjing Goldenhighway is wholly owned by GHW Holdings Limited, a wholly-owned subsidiary of the Company.

Taian Taiying

Taian Taiying is a limited partnership established in the PRC which is principally engaged in the provision of consultancy service in connection with equity investment. Changying Venture Capital Management (Beijing) Co., Ltd.* (長鷹創業投資管理(北京)有限公司) is the general partners of Taian Taiying.

The partnership interest of Taian Taiying is set out in the table below:

Name	Percentage of equity interest in Taian Taiying
Tai'an Dongyue Financial Investment Co., Ltd.* (泰安市東嶽金財投資有限公司) ⁽¹⁾	67.99%
Tai'an Caiyuan Construction Investment Co., Ltd.* (泰安市財源建設投資有限公司) ⁽²⁾	20.00%
Shandong New Kinetic Energy Fund Management Co., Ltd.* (山東省新動能基金管理有限公司) ⁽³⁾	10.00%
Tai'an Taishan Urban Construction Investment Co., Ltd.* (泰安市泰山城市建設投資有限公司) ⁽⁴⁾	2.00%
Changying Venture Capital Management (Beijing) Co., Ltd.* (長鷹創業投資管理(北京)有限公司) ⁽⁵⁾	0.01%
Total	100.00%

Notes:

1. Tai'an Dongyue Financial Investment Co., Ltd. is wholly-owned by Tai'an Finance Bureau* (泰安市財政局).
2. Tai'an Caiyuan Construction Investment Co., Ltd. is wholly-owned by Tai'an Finance Bureau.

LETTER FROM FORTUNE FINANCIAL CAPITAL

3. Shandong New Kinetic Energy Fund Management Co., Ltd. is wholly-owned by by Shandong Province Department of Finance* (山東省財政廳).
4. Tai'an Taishan Urban Construction Investment Co., Ltd. is owned as to 92.90% by Tai'an Finance Bureau, 2.60% by the Ministry of Finance of the PRC* (中華人民共和國財政部), 2.50% by the The State Council of the People's Republic of China* (中華人民共和國國務院), 1.90% by the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange* (國家外匯管理局中央外匯業務中心) and 0.10% by the National Council for Social Security Fund* (全國社會保障基金理事會).
5. Changying Venture Capital Management (Beijing) Co., Ltd. is owned as to 28.50% by Beihang University (北京航空航天大學), 23.00% by Yu Kailei (郁凱雷), 14.60% by Jin Jian (金健), 11.00% by Lu Kunyan (呂坤延), 10.6% by Gong Meiling (鞏美玲), 4.20% by Chen Xuemei (陳雪梅), 3.00% by Zhang Jun (張軍), 2.69% by Li Hai (李海), 1.20% by Xu Liangqi (徐良奇), 1.00% by Wang Xing (王星), 0.20% by Chen Long (陳龍) and 0.01% by Sun Hanbing (孫漢兵).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Taian Taiying and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

4. Background information of the Subscribers

Taian Ruokun

Taian Ruokun is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Ruokun has one general partner, namely Mr. Yin, and 36 limited partners.

The partners of Taian Ruokun are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Management of major subsidiaries	5	2.32%	11.6
Supply chain	2	0.08%	11.0
Research	7	0.54%	10.4
Production	15	0.88%	10.1
Other department	7	0.61%	8.1
Total	37	4.43%	

The source of fund of Taian Ruokun comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Ruokun is an employee of the Group.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Taian Ruopeng

Taian Ruopeng is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Ruopeng has one general partner, namely Mr. Yin, and 42 limited partners.

The partners of Taian Ruopeng are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon completion of the Capital Increase	Average years of service in the Group
Key management staff	1	0.00%	31.0
Supply chain	7	0.11%	7.4
Research	5	0.11%	8.4
Production	26	0.43%	9.3
Other department	4	0.06%	6.0
Total	43	0.71%	

The source of fund of Taian Ruopeng comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Ruopeng is an employee of the Group.

Taian Jinweilai

Taian Jinweilai is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Taian Jinweilai has one general partner, namely Mr. Yin, and 37 limited partners.

LETTER FROM FORTUNE FINANCIAL CAPITAL

The partners of Taian Jinweитай are core members that serve important functions of the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Supply chain	4	0.02%	5.5
Research	6	0.05%	5.8
Production	25	0.23%	6.3
Other department	2	0.01%	6.5
Total	38	0.31%	

The source of fund of Taian Jinweитай comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Taian Jinweитай is an employee of the Group.

Nanjing Weijinhe

Nanjing Weijinhe is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Nanjing Weijinhe has one general partner, namely Mr. Yin, and 20 limited partners.

The partners of Nanjing Weijinhe are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	4	0.64%	26.0
Management of major subsidiaries	10	0.60%	19.7
Sales	3	0.12%	18.3
Other department	4	0.56%	13.3
Total	21	1.92%	

The source of fund of Nanjing Weijinhe comes from each individual shareholder. Save for Mr. Yin, Mr. Diao, Mr. Zhou and Mr. Chen who are executive Directors, each of the other shareholders of Nanjing Weijinhe is an employee of the Group.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Nanjing Jinwei Yongzheng

Nanjing Jinwei Yongzheng is a limited partnership established in the PRC which is principally engaged in the investment activities of its own funds.

Nanjing Jinwei Yongzheng has one general partner, namely Mr. Yin, and 49 limited partners.

The partners of Nanjing Jinwei Yongzheng are core members that serve important functions for the Group. The table below sets out the details and equity interest in the Target Company upon Completion of the partners:

Function	Headcount	Approximate percentage of equity interest in the Target Company upon Completion	Average years of service in the Group
Key management staff	1	0.00%	31.0
Management of major subsidiaries	2	0.08%	18.5
Sales	20	0.29%	10.3
Supply chain	13	0.12%	9.2
Other department	14	0.19%	12.9
Total	50	0.68%	

The source of fund of Nanjing Jinwei Yongzheng comes from each individual shareholder. Save for Mr. Yin who is an executive Director, each of the other shareholders of Nanjing Jinwei Yongzheng is an employee of the Group.

5. Reasons for and benefits of entering into the Capital Increase Agreement

The purpose and objective of the Capital Increase is to (i) provide an opportunity to the employees of the Group, who are the ultimate beneficial owners of the Subscribers, to subscribe for a stake in the Target Company; and (ii) strengthen the capital base of the Target Company.

The Directors are of the view that by providing the employees an opportunity to subscribe for a stake in the Target Company, it will align the employees' interests with the goals of the Target Company and the Group, and thereby enhance employee retention and contribute to the long-term development of the Group.

The Directors have also considered the debt ratio and liquidity position of the Company and is of the view that the Capital Increase will provide a good opportunity to improve the liquidity of the Target Group which, in turn, will bolster the Target Company's ability to undertake necessary capital expenditures and pursue business opportunities, including but not limited to the construction of a factory in Vietnam. It is expected that the capital requirement for the construction of the factory in Vietnam would be approximately RMB4.1 million.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Having considered the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Group as a whole.

Based on the 2023 Annual Report and our discussions with the Management, the Target Group's establishment of the new production plant in the western region from its existing Tai'an production plant at the Tai'an Daiyue Chemical Industrial Park (泰安岱嶽化工產業園) is nearly completed. Except for the production of moxifloxacin side chain, which is expected to commence in 2024, the production lines for other products, including trimethylamine, methyl iodide and iodopropynyl butylcarbamate, had commenced their operation during the first half of 2024. Further, during FY2023, the Target Group acquired the land use right for a land plot located at Binh Duong Province which will be used for expanding the Target Group's production scale of choline chloride and iodine derivatives in Vietnam for export sales to western countries. The Management expect the production plant will commence operation in 2024.

Therefore, the Management is of the view and we concur that, by completing the Capital Increase, the capital base of the Target Company could be strengthened for improving the liquidity position and sustaining the daily operations of the new production plants.

6. Principal terms of the Capital Increase Agreement

Further details of the terms of the Capital Increase Agreement are set out in the paragraph headed "The Capital Increase Agreement" in the Letter from the Board.

6.1 Principal terms of the Capital Increase Agreement

Date

10 May 2024

Parties

- (1) The Target Company, a wholly-owned subsidiary of the Company;
- (2) The Existing Shareholders, being (i) Nanjing Goldenhighway, a wholly-owned subsidiary of the Company, and (ii) Taian Taiying; and
- (3) The Subscribers, being (i) Taian Ruokun, (ii) Taian Ruopeng, (iii) Taian Jinweитай, (iv) Nanjing Weijinhe, and (v) Nanjing Jinwei Yongzheng.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Capital Increase

Pursuant to the Capital Increase Agreement, Taian Ruokun, Taian Ruopeng, Taian Jinweilai, Nanjing Weijinhe and Nanjing Jinwei Yongzheng conditionally agreed to contribute RMB20,230,000, RMB3,250,000, RMB1,405,000, RMB8,760,000 and RMB3,130,000 to subscribe for approximately 4.43%, 0.71%, 0.31%, 1.92% and 0.68%, respectively, of the effective interest in the registered capital of the Target Company as enlarged by the Capital Increase.

For further details in relation to the effective interest in the registered capital of the Target Company and the subscription agreement between (i) Taian Taiying; (ii) the Target Company and Nanjing Goldenhighway, and (iii) Mr. Yin on 7 February 2021, please refer to the paragraph headed “The Capital Increase Agreement — Capital Increase” in the Letter from the Board.

Conditions Precedent

Conditions precedents to the Subscribers' completion obligations

Each of the Subscriber's obligation to complete the Capital Increase is conditional upon the satisfaction or waiver of the following conditions:

- (a) the representations and warranties given by each of the Target Company and Nanjing Goldenhighway remain true, accurate, complete and not misleading as at the date of the Capital Increase Agreement and the date of Completion;
- (b) each of the Target Company and Nanjing Goldenhighway having performed and complied in all respect with all undertakings and obligations contained in the Capital Increase Agreement on or before date of Completion;
- (c) all consents, approvals, notifications, filings or registrations required by the Target Company and Nanjing Goldenhighway having been obtained or made (including but not limited to the internal and external approval, announcement, filing and relevant procedure having been made by the Company); and
- (d) the Capital Increase Agreement and the transactions contemplated thereunder shall have been approved by the shareholders and directors of the Target Company.

Each Subscriber may waive all or part of the aforesaid conditions precedent in respect of its own obligation to complete the Capital Increase. In the event that any of the said conditions precedent has not been fulfilled or waived on or before 31 March 2025 (or such other date as agreed among the Existing Shareholders, the relevant Subscriber(s) and the Target Company in writing), the Capital Increase Agreement will terminate automatically in so far as the relevant Subscriber's obligations to complete the Capital Increase is concerned.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Conditions precedents to the Target Company's and Nanjing Goldenhighway's completion obligations

The Target Company's and Nanjing Goldenhighway's obligation to complete the Capital Increase is conditional upon the satisfaction or waiver of the following conditions:

- (a) the representations and warranties given by each of the Subscribers remain true, accurate, complete and not misleading as at the date of the Capital Increase Agreement and the date of Completion;
- (b) each of the Subscribers having performed and complied in all respect with all undertakings and obligations contained in the Capital Increase Agreement on or before date of Completion;
- (c) all consents, approvals, notifications, filings or registrations required by each of the Subscriber having been obtained or made; and
- (d) the Capital Increase Agreement and the transactions contemplated thereunder shall have been approved by the Independent Shareholders.

Save for condition precedent in (d), the Target Company and Nanjing Goldenhighway may waive all or part of the aforesaid conditions precedent. In the event that any of the said conditions precedent has not been fulfilled or waived by a Subscriber on or before 31 March 2025 (or such other date as agreed among the Existing Shareholders, Subscribers and the Target Company in writing), the Target Company and Nanjing Goldenhighway will not have the obligation to complete the Capital Increase with the relevant Subscriber which shall not impede the right of the Target Company and Nanjing Goldenhighway to complete the Capital Increase with the other Subscriber(s).

As at the Latest Practicable Date, none of the conditions precedents have been fulfilled.

Payment of Subscription Price and Completion

Pursuant to the Capital Increase Agreement, the Subscribers shall pay their respective subscription amount within 10 business days after the fulfilment or waiver (as the case may be) of all the conditions precedents. The date on which the procedures for the alteration of industry and commerce registrations in respect of the Capital Increase of a Subscriber are completed shall be deemed to be the date of Completion of its own Capital Increase. For the avoidance of doubt, the Completion of the Capital Increase of each of the Subscribers is independent of each other. Unless otherwise agreed in the Capital Increase Agreement, the failure of a Subscriber to consummate the Capital Increase shall not impede the right of the other Subscribers to consummate. Within 30 days of the Completion, the Target Company shall provide an updated register of members and capital contribution certificate to the relevant Subscriber.

6.2 Evaluation of the basis of the consideration amount of the capital contribution by the Subscribers (the “Consideration”)

The subscription price under the Capital Increase Agreement was determined by the Target Company, the Existing Shareholders and the Subscribers after arm’s length negotiation with reference to, among other things, (i) the valuation (the “**Valuation**”) of the Target Group as at 31 March 2024 (the “**Valuation Date**”) of RMB430 million as appraised by Eidea Professional Services Company Limited (the “**Valuer**”), an independent valuer; (ii) the reasons for and benefits of the Capital Increase as stated under the paragraph headed “Reasons for and Benefits of the Capital Increase” in the Letter from the Board; and (iii) the relatively low liquidity of the shares of the Target Company.

In determining the consideration, the Company adopted a pre-money valuation of RMB420 million of the Target Group (the “**Pre-money Valuation**”), which is the value of the Target Group prior to the Capital Increase. Subsequent to and assuming full subscription under the Capital Increase. Based on the Pre-money Valuation, the subscription price of RMB36,775,000 represented approximately 8.76% of the effective interest in the registered capital of the Target Company. Subsequent to and assuming full subscription under the Capital Increase, the Subscribers will own an aggregate of approximately 8.05% of the effective interest in the registered capital of the Target Company at the post-money value of the Target Group of RMB456.8 million.

The Pre-money Valuation was arrived based on an arm’s length negotiation between the Target Company, the Existing Shareholders and the Subscribers, having considered a slight discount of RMB10 million, representing a discount of 2.3% to the Valuation of RMB430 million of the Target Group appraised by the Valuer (the “**Discount**”), in addition to the DLOM (as defined below) applied by the Valuer in the Valuation.

Having considered (i) the inherent challenges that private companies, such as the Target Company, may encounter to secure equity financing from external investors; (ii) the Discount, although not substantial, can facilitate the reaching of a mutually agreeable agreement with the Subscribers; and (iii) the reasons for and benefits of the Capital Increase as stated under the paragraph headed “Reasons for and Benefits of the Capital Increase”, the Board is of the view and we concur that the Pre-money Valuation is fair and reasonable.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report provided by the Valuer. We have also discussed with the Valuer in respect of the Valuation.

6.2.1. Assessment on the qualification and experience of the Valuer

Pursuant to note 1(d) to Rule 13.80(2)(b) of the Listing Rules, we have performed the followings steps regarding the Valuation of the Target Group prepared by the Valuer:

- 1) We have reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of the Valuation Report. In particular, the Valuer was

LETTER FROM FORTUNE FINANCIAL CAPITAL

founded in 2010 with over 13 years of experience in business valuation. We have also obtained information on the Valuer's track records on other business valuations and noted that the Valuer possesses experience in valuation of listed companies in Hong Kong.

- 2) This valuation project is led by Mr. Tony Y.F. Lau, who is a professional member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors with over 18 years' experience in valuation of properties, machineries and equipment and financial instruments in PRC, Hong Kong, Macau, the Asia Pacific region, America and Europe. The key project team member is Mr. Deber T.H. Chan, who is a holder of Chartered Financial Analyst (CFA) designation, Financial Risk Manager (FRM) designation and Certified Environmental, Social and Governance Analyst (CESGA) designation with over 4 years' experience in the valuation of business, intangibles and financial assets;
- 3) We have confirmed with the Valuer and its affiliates that save for the engagement of appraisal in relation to the Capital Increase, it is not connected with the Company, the Target Company and the parties to the Capital Increase Agreement or their respective core connected persons;
- 4) We have reviewed the terms of engagement and the scope of work of the Valuer and considered that the scope of work is appropriate to the opinion required to be given and without any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report, opinion or statement; and
- 5) We were not aware any of the Company, the Target Company and the parties to the Capital Increase Agreement have made any other formal or informal representations to the Valuer respectively, that are not in accordance with our knowledge.

6.2.2. Assessment on the valuation approaches

According to our discussion with the Valuer on the methodologies underlying the Valuation Report, we understood that the Valuer has considered three generally accepted approaches, namely the income approach, cost approach and market approach. In determining the value of the enterprise interest of the Target Group, the Valuer considered that the market approach is the most appropriate one.

As advised by the Valuer, the income approach was not adopted considering the valuation result of the income approach is heavily dependent on the financial projection provided, in which the inputs are unobservable and subjective. Besides, the cost approach was also not considered applicable as it fails to capture the future earnings potential of the Target Group. We have further discussed with the Company's management and the Valuer and understood that the net asset value of the Target Group of RMB406.8 million as at 31 March 2024 did not recognise the internally generated experience, industry know-hows and other intangible assets, which will substantially contribute to the future earnings potential of the Target Group while not being reflected in the financial statements. Whereas, the market approach provides an indication of value by comparing the subject asset with identical or similar assets that have been sold in the

LETTER FROM FORTUNE FINANCIAL CAPITAL

market, with appropriate adjustments made to reflect the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Since there are sufficient comparable public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. In light of the above, the Valuer is of the view and we concur that market approach is the most appropriate approach for valuing the Target Group.

6.2.3. Assessment on the principal basis and assumptions in the Valuation Report

In assessing the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation Report, we noted that the Valuer has made certain key assumptions for the valuation of the 100% equity interest in the Target Group, including but not limited to:

- (i) the valuation reflects the reasonable conditions existing as at the Valuation Date. The subsequent events and uncertainties are beyond the control of the Company and the Valuer;
- (ii) the financial information provided by the Company provides a true and fair view of the Target Group and is prepared in accordance with the applicable accounting standards;
- (iii) there will be no material change in the interest rates and exchange rates in the regions in which the Target Group operates; and
- (iv) there will be no material change in the political, legal, technological, economic or other conditions which would adversely affect the industry and profitability of the Target Group.

The Valuer also advised that the assumptions used in the Valuation Report are common assumptions adopted in various business valuation projects. In light of the discussion of the principal basis and assumptions of the Valuation Report above, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation Report.

6.2.4. Assessment on the adopted EV/EBITDA ratio

Amongst different multiples under market approach, Valuer has considered price-to-earnings (“P/E”) multiple, price-to-book (“P/B”) multiple, enterprise-value-to-sales (“EV/Sales”) multiple and enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortisation (“EV/EBITDA”) multiple. The P/B multiple has not been adopted in this valuation since the book value of equity is incapable to reflect the values of intangible assets such as the know-hows and client relationship possessed by the Target Group. The P/E multiple has not been adopted in this valuation since the Target Group after earning normalization which excludes non-recurring and non-operating items continues to be loss-making. The EV/Sales multiples has not been adopted in this valuation since the sales figure is incapable to reflect the differences in cost structure between the Target Group and the comparable companies.

LETTER FROM FORTUNE FINANCIAL CAPITAL

The EV/EBITDA multiple measures the profitability of the Target Group as an entire entity and is considered to be capital structure neutral. Furthermore, it also eliminates the differences in taxation and depreciation and amortization policies across different comparable companies. As discussed with the Valuer, although there is difference in the operating scale between the Target Group and the eight comparable companies identified by the Valuer (“**Comparables**”), size adjustment is not applied on the EV/EBITDA multiple of the Comparables since (i) incorporating size adjustment adds an additional layer of complexity to the analysis where determining the appropriate size adjustment can be subjective; (ii) upon reviewing the Comparables, there is no clear evidence that size is a significant driver of valuation differences; and (iii) the sample size provide sufficient reference for the Valuation, taking into account that the operating scale of the Target Group fell between the range of operating scales made up by the Comparables. As such, the Valuer is of the view and we concur that EV/EBITDA multiple is the most appropriate multiple for valuing the Target Group.

The Valuer has adopted 14.08, being adjusted mean of the EV/EBITDA multiples of the Comparables, for the purpose of the valuation of the Target Group. We have discussed with the Valuer regarding the selection criteria and assessed the appropriateness of the comparable companies selected. The Valuer identified the Comparables based on the following selection criteria: (i) the comparable companies shall be listed in mature stock markets; (ii) the comparable companies shall be in the same industry as the Target Group and are mainly engaged in the manufacture and sale of animal nutrition and feed additives; (iii) the comparable companies shall report positive EBITDA for the last twelve months; (iv) relevant information about the comparable companies shall be available and publicly disclosed; and (v) no observable outliers shall be considered.

We have further obtained the list of Comparables and reviewed the relevant information of all Comparables, including their respective principal businesses, principal operating locations and operating histories as disclosed in their respective published financial reports and announcements and noted that (i) the selection criteria of the Comparables are fair and reasonable as they are able to reflect the business operation and operating locations of the Target Group. We noted that the common factors of the business operation and operating locations of the Comparables include (a) over 50% of revenue was derived from feed additives related businesses; (b) substantial portion of manufacturing was located in China; and (c) products were distributed domestically and globally, which are generally in line with the business operation and operating locations of the Target Group; and (ii) all Comparables fall under the selection criteria; and (iii) two out of eight Comparables were identified as outliers (“**Outliers**”) and were excluded when arriving at the adjusted mean of EV/EBITDA multiple. As discussed with the Valuer, these Outliers were excluded because they have the highest EV/EBITDA multiple of 64.76 times and lowest EV/EBITDA multiples of 5.02 times amongst the Comparables and might provide an abnormal result to the analysis. As noted from the Valuer, the median of Comparables of 14.35 times was also taken into account when determining the Outliers, which was in line with the adjusted mean of EV/EBITDA multiple of 14.08 times. The Valuer is of the view that excluding the comparable with EV/EBITDA multiple of 5.91 times (“**Company F**”) as an outlier would lead to a larger variance between the median and the adjusted mean. Such variance represents an upward bias which might skew the overall result. As such, the Valuer is of the view and we concur that, the exclusion of the Outliers is fair and reasonable.

LETTER FROM FORTUNE FINANCIAL CAPITAL

For our due diligence purpose, we have accordingly performed independent search based on the abovementioned selection criteria and we have also come up with the Comparables which were identified by the Valuer. In light of the above, the Valuer is of the view and we concur that the Comparables represent an exhaustive list identified on a best-effort basis. Furthermore, based on the assessment and independent search we have done as aforementioned, we consider the adjusted mean of the EV/EBITDA multiples adopted by the Valuer is reasonable.

6.2.5. Assessment on the Discount for Lack of Marketability (“DLOM”)

As advised by the Valuer, the lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

As the shares of the Target Company are not being listed in any stock exchange or not marketable in any over-the-counter market, it is not readily marketable. However, the EV/EBITDA ratio adopted in the Valuation Report was calculated from public listed companies, which represents marketable ownership interest. Thus, DLOM was adopted to adjust such marketable interest market value to market value of equity interest that is not publicly tradeable.

According to our discussion with the Valuer on determining the DLOM, we understood that the Valuer made reference to the “Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC, a preeminent firm offering a broad range of financial advisory services to private and public companies. We have further obtained and reviewed the aforementioned reference, which is based on 776 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through December 2022, an average discount for lack of marketability of 20.5% was adopted for the valuation of the Target Group. In light of the above, we concur with the Valuer’s view on determining the discount rate.

Having considered the above assessment on (i) the qualification and experience of the Valuer; (ii) valuation approaches; (iii) principal basis and assumptions in the Valuation Report; (iv) the adopted EV/EBITDA ratio; and (v) the DLOM, we considered the Valuation of equity interest of the Target Group is fair and reasonable.

FINANCIAL EFFECT ARISING FROM THE DEEMED DISPOSAL ON THE GROUP

Upon Completion and assuming full subscription under the Capital Increase Agreement, the effective interest in the registered capital of the Target Company held by the Group will be diluted from 100% to approximately 91.95%. The Target Company will become a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the financial statements of the Group.

LETTER FROM FORTUNE FINANCIAL CAPITAL

Upon completion of the transaction, the Group still owns approximately 91.95% equity interest in the Target Company and the Target Company will remain a subsidiary of the Company. Therefore, according to the applicable International Financial Reporting Standards, the transaction is considered to be equity transaction and it is expected that the Company will not record any gain or loss arising from the Capital Increase. In any event, the actual gain or loss as a result of the Deemed Disposal to be recorded by the Group is to be determined as at Completion and subject to audit.

Based on a preliminary assessment, it is estimated that the Group will record net proceeds on the Capital Increase of approximately RMB36,359,000, which is equal to RMB36,775,000 (being the capital contribution under the Capital Increase Agreement) less RMB416,000 (being the legal and other professional fees of HK\$458,000 in relation to the Capital Increase).

The net proceeds from the Capital Increase will be applied as follows:

- (i) 90% of the net proceeds for the repayment of the existing debts; and
- (ii) 10% of the net proceeds for daily operations of the Group.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that although the entering into the Capital Increase Agreement is not in the ordinary and usual course of business of the Group, (i) the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Increase and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited
Alfred Wu
Managing Director

Mr. Alfred Wu (“Mr. Wu”) is a responsible officer of Fortune Financial Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wu has over 15 years of experience in corporate finance advisory in Hong Kong.

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. INTEREST OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) were as follows:

Name	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long Position	Short Position
Mr. Yin (<i>Note</i>)	Interest in a controlled corporation	553,141,500	Nil	55.31%	Nil

Note: Among these Shares, (a) 375,000,000 Shares are held by Commonwealth B Limited, which is owned as to 80% by Commonwealth Yanbin Limited (“**Commonwealth Yanbin**”) which is in turn wholly owned by Mr. Yin; and (b) 178,141,500 Shares are held by Commonwealth Happy Elephant Limited, which is owned as to approximately 98.26% by Commonwealth YYB Limited (“**Commonwealth YYB**”) which is in turn wholly owned by Mr. Yin. By virtue of the SFO, Mr. Yin is deemed to be interested in the 375,000,000 Shares held by Commonwealth B Limited and the 178,141,500 Shares held by Commonwealth Happy Elephant Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) INTERESTS OF DIRECTORS IN THE ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2023, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(C) INTERESTS OF DIRECTORS IN CONTRACTS OF THE GROUP

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company for a term of 3 years commencing from his/her date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than three-months' prior written notice for the case of executive Directors and one-month's prior written notice for the case of independent non-executive Directors, respectively, to the other party. Each Director will be re-elected at the annual general meeting in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERT QUALIFICATION AND CONSENT

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

Name	Qualification
Fortune Financial Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert named above:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name, in the form and context in which they are included;
- (b) did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. DOCUMENTS ON DISPLAY

Copy of the Capital Increase Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenhighway.com) for the period of 14 days commencing from the date of this circular.

8. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



GHW International

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of GHW International (the “**Company**”) will be held at the 2nd Floor, 6th Building, Xincheng Science Park, No. 69 Aoti Street, Nanjing, the PRC on Monday, 15 July 2024 at 4 p.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Capital Increase Agreement and the transactions contemplated under thereunder (a copy of the Capital Increase Agreement has been produced to the meeting marked “Exhibit” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Capital Increase Agreement, and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Capital Increase Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

By order of the Board

GHW International

Yin Yanbin

Chairman and Chief Executive Officer

Hong Kong, 21 June 2024

Notes:

1. The resolution set out in this Notice will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the results of the poll will be published on the respective websites of the Stock Exchange and the Company in accordance with the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Any member of the Company (the “Member” or “Shareholder”) entitled to attend and vote at the EGM or its adjournment (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf subject to the provision of the articles of association of the Company. A proxy need not be a Member but must be present in person at the EGM to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which such proxy is so appointed.
3. In order to be valid, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the Company’s branch share registrar and transfer office in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for holding the EGM (i.e. not later than 4 p.m. on Saturday, 13 July 2024 (Hong Kong Time)) or any adjournment thereof. Completion and return of a form of proxy will not preclude a Member from attending and voting in person at the EGM or its adjournment (as the case may be) should he/she so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.
4. Where there are joint registered holders of any Share, any one of such joint holders may vote at the EGM, either in person 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 is present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
5. For determining the entitlement to attend and vote at the EGM, the register of Members will be closed from Wednesday, 10 July 2024 to Monday, 15 July 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 July 2024.
 1. (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 or “extreme conditions caused by a super typhoon” announced by the Government of Hong Kong is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will be postponed and Members will be informed of the date, time and venue of the postponed EGM by a supplemental notice 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 before the time appointed for holding the EGM and where conditions permit, the EGM will be held as scheduled.
 - (c) The EGM 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, Members should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.
2. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.