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10 February 2025

To the Disinterested Shareholders and the Share Incentive Holders

Fosun Tourism Group
Rooms 808 & 2101–06
ICBC Tower
3 Garden Road
Central
Hong Kong

Dear Sir or Madam,

(1) PROPOSED SHARE BUY-BACK OF FOSUN TOURISM GROUP BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND (2) PROPOSED WITHDRAWAL OF LISTING OF FOSUN TOURISM GROUP

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Disinterested Shareholders and the Share Incentive Holders in respect of the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement. Details of the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement are set out in "Part VI — Explanatory Memorandum" contained in the Scheme Document dated 10 February 2025, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Proposal

On 9 December 2024, the Board resolved to put forward the Proposal to the Scheme Shareholders for the proposed share buy-back of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. Subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for HK$7.80 in cash for each Scheme Share.

The Share Incentive Proposal

As at the Latest Practicable Date, there were 56,879,819 outstanding Share Incentives, comprising (a) 48,177,874 Share Options; and (b) 8,701,945 Share Units. The Company will make an appropriate offer to the Share Incentive Holders in accordance with Rule 13 of the Takeovers Code. The Share Incentive Proposal will be conditional on the Scheme becoming effective.

Special Deal Relating to the Controlling Shareholders Rollover Arrangement

Pursuant to the Proposal, the Company proposes that the Controlling Shareholders will retain their shareholding, i.e. the Controlling Shareholders remain as Shareholders after the Scheme becomes effective so that, subject to the exercise or vesting of Share Incentives which are not cancelled pursuant to the Share Incentive Proposal, the Company will become wholly-owned by the Controlling Shareholders. Accordingly, the Shares held by the Controlling Shareholders will not form part of the Scheme Shares.

As the Controlling Shareholders Rollover Arrangement is not offered to all Shareholders, it constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Company has made an application to the Executive on 30 December 2024 to obtain the Executive's consent to the Controlling Shareholders Rollover Arrangement, subject to (a) the Independent Financial Adviser confirming that the terms of the Controlling Shareholders Rollover Arrangement are fair and reasonable; and (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the terms of the Controlling Shareholders Rollover Arrangement. The Proposal is subject to the grant of consent from the Executive in respect of the Controlling Shareholders Rollover Arrangement.

THE INDEPENDENT FINANCIAL ADVISER

As the Proposal and the Share Incentive Proposal are initiated by the Board, it is not possible for the Company to form an independent board committee to advise and make recommendations to the Disinterested Shareholders and the Share Incentive Holders.

As the independent financial adviser with respect to the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement, our role is to advise the Disinterested Shareholders and the Share Incentive Holders as to (i) whether the terms of the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement are, or are not, fair and reasonable; and (ii) whether

(a) the Disinterested Shareholders to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal and the Scheme at the EGM; and (b) the Share Incentive Holders to accept the Share Incentive Proposal.

Ms. Tsang King Suen Katherine, one of the independent non-executive directors of Fosun International Limited (one of the Company's controlling shareholders), is an executive director of HK Acquisition Corporation ("**HK Acquisition**") (stock code: 7841 (delisted)). We had acted as the independent financial adviser to the independent board committee and independent shareholders of HK Acquisition relating to its De-SPAC transaction, which details were set out in HK Acquisition's circular dated 3 October 2024. Save for the aforesaid which does not in any way affect our independence as specified under Rule 2.6 or other parts of the Takeovers Code, we (i) are not associated or connected, financial or otherwise, with the Company, its controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company, its controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement is at market level and not conditional upon the outcome of the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration), its controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms, we are independent of the Company, its controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Disinterested Shareholders and the Share Incentive Holders in respect of the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the interim report of the Company for the six months ended 30 June 2024 (the "**2024 Interim Report**"); (iii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (iv) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders and the Share Incentive Holders of any material changes to information contained or referred to in the

Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders and the Share Incentive Holders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and up to the date of the EGM.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Scheme Shareholders and the Share Incentive Holders arising from acceptance or non-acceptance of the Proposal and the Scheme and the Share Incentive Proposal, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders and the Share Incentive Holders as a result of the Proposal and the Scheme and the Share Incentive Proposal. In particular, the Scheme Shareholders and the Share Incentive Holders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advice on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement, we have taken into consideration, among other things, the following:

1. Business and financial information of the Group

1.1. Background of the Group

The Company has been listed on the Main Board of the Stock Exchange since 14 December 2018. The Group is one of the worldwide leading leisure-focused integrated tourism groups with four business segments, namely (i) "Club Med and Others"; (ii)

"Atlantis Sanya"; (iii) "Vacation Asset Management Center"; and (iv) "Foryou Club and Other Services". Throughout its mission of "Better Holiday, Better Life", the Group endeavours to pioneer a holiday lifestyle and create a world-leading family leisure and tourism ecosystem.

(i) Club Med and Others operates high-end, experience-oriented all-inclusive vacations for families and couples. As of 30 June 2024, Club Med has sales and marketing operations in more than 40 countries and regions across six continents, and operates 67 resorts, of which 34 resorts (including a cruise ship) are in Europe, Middle East and Africa ("**EMEA**"), 12 resorts are in the Americas and 21 resorts are in the Asia Pacific region (including 10 resorts in China). Of these, 10 resorts are under ownership model, 41 resorts are under lease model, and 16 resorts are under management contract model.

(ii) Atlantis Sanya is located on the Haitang Bay National Coast of Sanya in Hainan Province, China. It includes 1,314 guest rooms offering full ocean views and underwater suites, natural seawater aquarium, the Atlantis Aquaventure Waterpark with an area of 200,000 square meters and a dolphin island, high-quality food and beverage services, over 5,000 square meters of space for Meeting, Incentives, Conferencing & Exhibitions ("**MICE**"), shopping center and other recreational activities such as the C Show Theatre. The Group commenced the construction of Atlantis Sanya in 2014 and it officially opened in April 2018.

(iii) As part of its efforts to optimise its intellectual property operations and facilitate the implementation of more asset-light projects, the Group incorporated Taicang Alps Resort and Lijiang Club Med Resort to its Vacation Asset Management Center business segment in 2023. These projects also have development and sales of residential properties.

(iv) Foryou Club, rebranded from Thomas Cook China, is a global membership platform for high-quality holiday services. Thomas Cook UK, which was disposed of in September 2024, was engaged in the development of online travel agency business.

1.2. Historical financial performance of the Group

Set out below is a table summarising certain key financial information of the Group for its financial years ended 31 December ("**FY**") 2022 and 2023 ("**FY2022**" and "**FY2023**") and the six months ended 30 June 2023 and 2024 respectively ("**1H2023**" and "**1H2024**"), as extracted from the 2023 Annual Report and the 2024 Interim Report.

Selected items of Consolidated Statement of Profit or Loss

Consolidated statement of profit or loss

RMB'000	**1H2024** *(unaudited)*	**1H2023** *(unaudited)*	**FY2023** *(audited)*	**FY2022** *(audited)*
Revenue	**9,414,566**	**8,898,817**	**17,151,841**	**13,777,710**
— *Club Med and Others*	*8,193,194*	*7,506,818*	*14,176,378*	*11,606,385*
— *Atlantis Sanya*	*867,740*	*937,461*	*1,768,983*	*917,391*
— *Vacation Asset Management Center*	*294,242*	*389,914*	*1,062,806*	*1,122,437*
— *Foryou Club and Other Services*	*134,432*	*104,542*	*220,074*	*201,042*
— *Intersegment eliminations*	*(75,042)*	*(39,918)*	*(76,400)*	*(69,545)*
Cost of revenue	(6,208,065)	(5,822,195)	(11,556,647)	(9,787,360)
Gross profit	**3,206,501**	**3,076,622**	**5,595,194**	**3,990,350**
Gross profit margin	*34.1%*	*34.6%*	*32.6%*	*29.0%*
Other income and gains, net	121,443	384,472	324,347	103,659
Selling and marketing expenses	(1,316,740)	(1,201,982)	(2,348,205)	(2,005,914)
General and administrative expenses	(974,724)	(906,697)	(1,764,533)	(1,494,592)
Operating profit	**1,036,480**	**1,352,415**	**1,806,803**	**593,503**
— *Club Med and Others*	*1,145,355*	*1,177,309*	*1,547,958*	*661,173*
— *Atlantis Sanya*	*177,418*	*346,769*	*510,388*	*63,857*
— *Vacation Asset Management Center*	*(106,456)*	*74,898*	*155,494*	*278,440*
— *Foryou Club and Other Services*	*2,054*	*(34,893)*	*(98,622)*	*(232,922)*
— *Intersegment eliminations*	*(181,891)*	*(211,668)*	*(308,415)*	*(177,045)*
Finance costs	(646,433)	(660,282)	(1,305,483)	(995,591)
Share of profits and losses of associates	(2,231)	(13,583)	(12,145)	(1,062)
Profit/(loss) before tax	**387,816**	**678,550**	**489,175**	**(403,150)**
Income tax expense	(70,662)	(188,218)	(143,165)	(128,641)
Profit/(loss) for the year/period	**317,154**	**490,332**	**346,010**	**(531,791)**
Profit/(loss) attributable to equity holders of the Company	**321,838**	**471,840**	**307,199**	**(544,900)**

FY2023 vs FY2022

The Group recorded substantial revenue increase of 24.5% in FY2023 compared to FY2022 as its operations continued to recover post-COVID 19 pandemic as travel demand increased both domestically and globally. Operational efficiency also improved during FY2023.

Revenue for Club Med and Others increased by 22.1% benefitting from improvements in capacity, occupancy and average daily bed rate ("**ADBR**"). The resumption of domestic tourism in China boosted revenue for Atlantis Sanya which posted revenue growth of 92.8% in FY2023. Overall revenue of Vacation Asset Management Center experienced a decline despite higher revenue from resort operations due to lower property sales and construction services following a downturn in the real estate market.

Gross profit margin increased from 29.0% in FY2022 to 32.6% in FY2023, benefiting from business recovery and improved operational efficiency. Gross profit margin had improved across all the Group's business segments and coupled with higher revenue, gross profit increased by 40.2% in FY2023 compared with FY2022.

On the back of gain from village disposal as well as sale and leaseback of Club Med resorts, gain from disposal of Casa Cook and Cook's Club hotel business as well as net exchange gain, the Group recorded over 200% increase in net other income and gains of RMB220.7 million.

Selling and marketing expenses had increased in FY2023 as the Group paid higher amount of commission on sales. Similarly, general and administrative expenses were higher as the Group paid a higher amount of management fee to brand licensor, incurred higher IT service and resort development expenses as well as sundry outsourcing expenses.

Increases of the above expenses of 17.1% and 18.1% year-on-year were however lower than the 24.5% revenue increase in FY2023. Coupled with improvements in gross profit margin, higher net other income and gains, operating profit in FY2023 increased substantially by over 200% compared with FY2022. Operating profit in FY2023 was in particular underpinned by improvements for Club Med and Others and Atlantis Sanya. These were offset by a decrease in operating profit for Vacation Asset Management Center which was affected by lower property sales and delivery.

Due to comparatively low operating profit in FY2022 of RMB593.5 million, the Group recorded loss before tax of RMB403.2 million after considering finance costs of RMB995.6 million (which consisted mainly of interest on bank and other borrowings and interest on lease liabilities). For FY2023, despite finance costs having increased substantially by over 30% due partly to high-interest rate environment, the Group recorded profit before tax and profit attributable to equity holders of RMB489.2 million and RMB346.0 million.

1H2024 vs 1H2023

Revenue increased by 5.8% in 1H2024 compared to 1H2023 underpinned by 9.1% revenue growth of Club Med and Others benefitting by increases in capacity, occupancy rate as well as ADBR. This was offset by lower revenue for Atlantis Sanya which experienced a 15.1% decrease in ADBR as the Group optimised its pricing strategy to address market competition, in which other hotels and resorts in Sanya, Hainan Province had reduced their prices in light of the overall weaker market while tourists and customers had been more price-sensitive. Revenue from Vacation Asset Management Center also decreased due to slow property sales and domestic consumer demand.

Gross profit increased by 4.2% in 1H2024 in line with higher revenue. Gross profit margin had however nominally decreased affected mainly by lower margins of Atlantis Sanya and Vacation Asset Management Center for the reasons explained above.

During 1H2024, the Group recorded net other income and gains of RMB121.4 million due mainly to reversal of provision for litigation of a Club Med village. In comparison, in 1H2023, the Group recorded net other income and gains of RMB384.5 million mainly from gain of disposals of Club Med resorts and Casa Cook and Cook's Club hotel business.

In line with revenue increase, selling and marketing expenses which were related to sales commission for resorts and tourism operation and advertising and promotion costs, increased by 9.5% in 1H2024 compared with 1H2023. General and administrative expenses increased by 7.5% in 1H2024 compared with 1H2023 due to higher employee costs of Club Med which were partially offset by lower sundry outsourcing such as consulting and professional expenses.

Operating profit had declined by 23.4% in 1H2024 compared with 1H2023 due mainly to (i) 48.8% decline in operating profit of Atlantis Sanya over the periods in the absence of one-off government subsidies of RMB78.4 million; and (ii) operating losses incurred by Vacation Asset Management Center in 1H2024 instead of operating profit in 1H2023. Club Med and Others also recorded lower operating profit for 1H2024 but excluding one-off gain on disposal of resorts in 1H2023, operating profit for Club Med and Others would have been higher in 1H2024 compared with 1H2023. Meanwhile, improved operational efficiency resulted in operating profit being recorded for Foryou Club and Other Services in 1H2024 instead of a loss in the previous period.

With finance costs maintaining relatively stable in 1H2024 compared to 1H2023, the Group's profit before tax recorded a substantial decline of 42.8% in line with lower revenue and lower operating profit. As income tax expenses decreased to a larger extent, profit attributable to equity holders decreased more moderately by 31.8% in 1H2024 compared to 1H2023.

Overall, we observed that the Group's revenue had increased between FY2022 and 1H2024 underpinned by recovery of the global tourism industry post-COVID 19 pandemic. There has however been signs of revenue growth normalisation for Club Med and Others, while revenue of Atlantis Sanya had declined in the face of market competition. Meanwhile Vacation Asset Management Center's revenue has been adversely affected by lower property sales amidst a downturn of China's real estate market. Coupled with the absence of one-off gains such as those recorded in FY2023, profitability of the Group had reduced in 1H2024.

Selected items of Consolidated Statement of Financial Position

Consolidated statement of financial position

	As at		
RMB'000	**30 June 2024** *(unaudited)*	**31 December 2023** *(audited)*	**31 December 2022** *(audited)*
Non-current assets			
Property, plant and equipment	10,303,244	10,674,269	9,786,743
Right-of-use assets	11,803,309	12,535,362	12,508,667
Intangible assets and goodwill	4,266,881	4,380,670	4,222,283
Others	2,352,679	2,470,205	1,954,715
Total non-current assets	**28,726,113**	**30,060,506**	**28,472,408**
Current assets			
Cash and bank balances	3,540,925	2,979,236	2,909,166
Completed properties for sale and properties under development	1,639,422	1,738,631	2,498,987
Prepayments, other receivables and other assets	1,770,021	1,895,642	1,825,974
Trade receivables	511,833	704,961	899,069
Others	1,258,792	1,243,871	1,324,410
Total current assets	**8,720,993**	**8,562,341**	**9,457,606**
Current liabilities			
Accrued liabilities and other payables	(5,751,317)	(7,078,188)	(6,553,675)
Interest-bearing bank and other borrowings	(3,379,379)	(3,558,428)	(2,474,450)
Trade payables	(1,993,625)	(2,140,863)	(2,643,415)
Lease liabilities	(994,426)	(944,415)	(866,218)
Contract liabilities	(829,136)	(962,475)	(808,606)
Others	(1,151,451)	(1,429,044)	(1,274,485)
Total current liabilities	**(14,099,334)**	**(16,113,413)**	**(14,620,849)**
Net current liabilities	**(5,378,341)**	**(7,551,072)**	**(5,163,243)**
Non-current liabilities			

	As at		
	30 June 2024	**31 December 2023**	**31 December 2022**
RMB'000	*(unaudited)*	*(audited)*	*(audited)*
Lease liabilities	(10,317,960)	(11,025,483)	(10,411,331)
Interest-bearing bank and other borrowings	(9,483,374)	(8,126,896)	(9,487,485)
Others	(901,909)	(976,755)	(779,252)
Total non-current liabilities	**(20,703,243)**	**(20,129,134)**	**(20,678,068)**
Net Assets	**2,644,529**	**2,380,300**	**2,631,097**

The Group's non-current assets had maintained generally stable as at 31 December 2022, 31 December 2023 and 30 June 2024. Property, plant and equipment and rights-of-use assets comprised the Group's self-owned or leased resorts or hotels owned were stable at between RMB22 billion and RMB24 billion level as at 31 December 2022, 31 December 2023 and 30 June 2024. On those dates, there was also minimal variations on values of intangible assets which mainly relate to trademark of Club Med and goodwill which was acquired through business combinations when the Group made previous acquisitions.

The Group's current assets had decreased from RMB9,457.6 million as at 31 December 2022 to RMB8,721.0 million as at 30 June 2024 due mainly to lower completed properties for sale and properties under development as well as lower trade receivables. Its cash and bank balances had however increased from RMB2.9 billion level to RMB3.5 billion level as at 30 June 2024 as overall, the Group had generated operating cash flow and had secured net bank borrowings.

Current liabilities increased from RMB14,620.8 million as at 31 December 2022 to RMB16,113.4 million as at 31 December 2023 as short term portion of interest-bearing bank and other borrowings as well as accrued liabilities and other payables increased. Current liabilities reduced to RMB14,099.3 million as at 30 June 2024 as trade payables, accrued liabilities and other payables reduced.

Relative to the Group's liquid assets such as cash and bank balances and trade receivables, it had comparatively high levels of interest-bearing bank and other borrowings as well as accrued liabilities and other payables. Consequently, the Group had net current liabilities positions as at 31 December 2022, 31 December 2023 and 30 June 2024.

Non-current liabilities of the Group had maintained at stable level between RMB20 billion and RMB21 billion as at 31 December 2022, 31 December 2023 and 30 June 2024. Based on the combination of assets and liabilities positions above, net assets of the Group were largely stable at between RMB2.3 billion and RMB2.7 billion level as at 31 December 2022, 31 December 2023 and 30 June 2024.

Overall, the Group had maintained stable financial position and had not experienced significant fluctuations in its assets and liabilities. We however noted that it had consistently had net current liabilities position which implies that the Group's ability to manage its short-term liquidity would be imperative to its financial health.

In this respect, we believe this will principally depend on the Group's ability to continuously generate operating cash flow, refinance its bank and other borrowings upon their maturity, and maintain adequate cash and bank balances and undrawn banking facilities to sustain its liquidity needs.

Calculation of the Adjusted NAV

Reference is made to (i) the valuation of property interests of the Group as at 30 November 2024 conducted by Property Valuers appointed by the Group, details of which are set out in Appendix IV to the Scheme Document (the "**Property Valuation Reports**"); and (ii) the paragraph headed "4. Property interests and adjusted net asset value" set out in "Appendix I — Financial information of the Group" contained in the Scheme Document. For illustration purpose, set out below is the calculation of the Adjusted NAV of the Group taking into account the effect of revaluation surplus arising from the valuation of the Group's properties interests as set out in the Property Valuation Reports.

	RMB'000
The unaudited net asset value attributable to Shareholders as at 30 June 2024	2,578,851
Adjustments:	
— Revaluation surplus arising from the valuation of the property interests attributable to the Group as at 30 November 2024	13,123,875
—Estimated deferred tax on revaluation surplus attributable to the Group	(3,277,388)
Adjusted net asset value attributable to Shareholders	12,425,338
Adjusted NAV (RMB)	9.99
Adjusted NAV (HK$)	10.74
Cancellation Price (HK$)	7.80
Discount of the Cancellation Price to the Adjusted NAV	27.41%

1.3. Dividends

As noted in the 2023 Annual Report, the Company has adopted a dividend policy whereby the Company shall consider a number of factors when determining whether to declare any dividend and the amount of dividend to be declared, including but not limited to, the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure, future development requirements, business conditions and strategies, interests of shareholders, and any restrictions on payment of dividends.

We note that since the Company's listing on the Main Board of the Stock Exchange on 14 December 2018, save for a total dividend of HK$0.09 per Share for the financial year ended 31 December 2019, the Company has not declared or paid any dividends to the Shareholders. As advised by the Management, such decisions to preserve its cash resources and not declare dividends were made having considered a number of factors, including (i) the challenges faced by the Group during the onset of COVID-19 pandemic; and (ii) its loss-making positions during the period from 2020 to 2022. Based on this and the recent financial conditions of the Group (i.e. its net current liabilities position) as illustrated above, there appears no assurance that the Company will pay dividend in the future.

1.4. Industry and outlook of the Group

The Group stated in its 2023 Annual Report that Club Med's global performance had reached an all-time high with all three of its major regional markets of EMEA, the Americas and Asia-Pacific having recovered to pre-pandemic levels in FY2023. As the tourism industry enters a new cycle, the Group expects global tourism market to continue its strong recovery momentum in FY2024 and forecast similar trend for its Atlantis Sanya operations in the PRC.

We have conducted independent research and have made references to two research reports issued by CBRE Research titled "2024 Global Hotels Outlook" dated March 2024 ("**March CBRE Reports**") and "2024 Global Hotels Midyear Outlook" dated October 2024 ("**October CBRE Reports**"). CBRE Research is part of CBRE Group, Inc which is listed on the New York Stock Exchange and according to its annual report, CBRE Group, Inc is the world's largest commercial real estate services and investments firm. It maintains an extensive research and data platform and count nearly 90% of Fortune 100 companies and many of the world's largest institutional real estate investors as its clients. We noted that CBRE Research regularly issues market reports on global and regional markets for comprehensive range of property types including office, residential, hotels, industrial and logistics as well as retail, and their findings and forecasts are quoted by news media.

We observed that the Group's expectations on the outlook of FY2024 were generally in line with findings and forecasts of the March CBRE Reports. CBRE Research expects Europe's domestic and short-haul leisure travel to be the primary drivers of hotel demand with tailwinds from a rise in international long-haul leisure travel from Asia. It however expects Revenue per available room ("**RevPAR**") growth to decelerate to high single-digit rate, returning to more normalised levels. For Asia Pacific markets, it expects international tourism arrivals should reach 2019 levels by end of 2024 as airline capacity progressively recovers. With average daily rates ("**ADRs**") expected to normalise, revenue growth would be driven by occupancy growth for well-managed assets if operators can demonstrate flexibility to capitalise on the upswing. For the Mexico market, beach resorts can expect to see above-average hotel occupancy and for Caribbean markets, growth over the course of 2024 and beyond will be backed by a continued influx of tourists from the US and limited new supply.

The subsequent October CBRE Reports updated that the Europe market was poised for continued expansion albeit at a more moderate pace than in recent years amidst softening US demand. CBRE Research expects luxury and resort locations to outperform other segments. Meanwhile, it stated that hotel markets in Asia Pacific recorded year-on-year RevPAR growth during the first half of 2024 except for the Maldives. The Mexico and Caribbean markets had generally performed in line with expectations, with Mexico being an outstanding market.

For our independent research on China's tourism market, we have referred to reports issued by the China Tourism Academy, which is an institution established in 2008 directly affiliated with the China National Tourism Administration (中華人民共和國國家旅遊局) with a focus on studies of China's tourism industry. The China Tourism Academy reported in November 2024 that it is optimistic with inbound tourism where it expects the number of inbound tourists to recover to above 90% of the level achieved pre-COVID 19 pandemic in 2019. This was driven by visa-free entry, payment facilitation policies for visiting China, and the increasingly abundant information about traveling to China available on social media. Looking ahead, the report suggests that the development environment for inbound tourism is both complex and positive. Factors include the increasing complexity of the global economy and geopolitics, the continuous improvement of shared living spaces for tourists and locals, China's further opening-up efforts, and the integration and reconstruction of the tourism industry ecosystem.

In summary, our independent research shows that global tourism in Europe, Asia Pacific and the Americas is on generally track for further growth, and this will benefit the Group's Club Med global operations. The exceptional recovery growth post COVID-19 pandemic is however normalising and improvements in key parameters such as RevPAR and ADRs may decelerate. Meanwhile Club Med's China operations and Atlantis Sanya may benefit from robust domestic tourism but may have to maintain pricing flexibility in the face of competition, weak local consumption and generally cautious economic environment. The Group's China operations may also be boosted by continued improvement of inbound tourist arrivals although airline capacity may pose a limit. Overall, we believe the stable trend with lingering risks of geopolitical uncertainties and economic slowdown may continue for the global tourism industry in the near future.

2. Company's intention with regard to the Group

As disclosed in the paragraph headed "9. Intention of the Company with regard to the Group" set out in "Part VI — Explanatory Memorandum" contained in the Scheme Document, as at the Latest Practicable Date, it is the intention of the Company for the Group to continue to carry on its existing business and the Company does not have any plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

3. Rationale of the Proposal

We have considered the rationale of the Proposal from the perspectives of the Disinterested Shareholders as well as the Company as follow.

3.1. From the perspective of the Disinterested Shareholders

Opportunities to realise investment in the Company at premium to prevailing market price

The Cancellation Price is at substantial premium to recent market trading price of Shares as analysed in the section headed "4.1. Historical price performance of the Shares" below. Per our analysis on historical price trend, it is noted that the Share price has not reached the level of the Cancellation Price during the entire Review Period (as defined below), and that it represents a substantial premium of approximately 70.7% over the average closing prices of the Shares during the Review Period. Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the closing prices of the Shares had remained at levels below the Cancellation Price.

As a matter of fact, despite industry-wide recovery and the Group having recorded positive financial performance in FY2023 and 1H2024, the Share price performance has remained sluggish. The recent hike in Share price occurs only after the publication of the Announcement and we believe that the current market trading prices of Shares are underpinned by the presence of the Proposal and the absence or lapse of the Proposal may cause price of the Shares to retreat to levels before the Announcement. Therefore, we concur with the Management that the Proposal offers Disinterested Shareholders a reasonable opportunity to sell their Shares at a premium to prevailing market price.

Opportunities to realise investment in the Company regardless of shareholding size

The Company pointed out that the trading liquidity of the Shares has been low, making it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

Per our analysis on the trading liquidity of the Shares as discussed in the section headed "4.2. Trading liquidity of the Shares" below, we note that the trading activities in Shares were generally illiquid over the Review Period and the Disinterested Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of Shares on the market may result in downward pressure on the market price of Shares.

In this respect, we concur that the Proposal represents an opportunity for the Disinterested Shareholders to realise their investments in the Company with the certainty of return. We noticed substantial increase in trading liquidity for a couple of days before and after the Announcement. We believe such relatively high volume was similarly triggered by presence of the Proposal and may not be sustainable in the absence of the Proposal.

Normalisation of recovery growth of global tourism industry may result in lack of impetus for Share price increase

As described in the section headed "1.4. Industry and outlook of the Group" above, the strong recovery of the global tourism industry post COVID-19 pandemic is normalising. This stable trend with lingering risks of geopolitical uncertainties and economic slowdown may continue in the near future. If this persists, the industry as a whole and the Group may lack significant positive news which create impetus for Share price to increase beyond the Cancellation Price.

3.2. From the perspective of the Company

Flexibility in formulating long term strategic decisions and avoid the costs associated with maintaining a listing platform

The Management believed that the depressed price level and low trading activities of the Shares has limited the Company's ability to conduct equity financing to support its business operation and development. In fact, we note that the Company has not conducted any equity capital fund raising since its listing on 14 December 2018.

We concur that given one of the primary objectives of a listed platform is public equity fund raising; with such ability curtailed, the costs associated with maintaining the listing status of the Company may no longer be justifiable. Upon completion of the Proposal, the Company can expect to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

In addition, we note that it is the Group's strategic direction to transition to an asset-light operation and to continue to invest and focus in its core business. As a private company without having to manage short term public investor expectations, the Company will have more flexibility in implementing these long-term strategies in a more cost-efficient manner.

4. The Cancellation Price

The Cancellation Price of HK$7.80 represents:

(a) a premium of approximately 4.84% over the closing price of HK$7.44 per Share as quoted on the Stock Exchange on 7 February 2025, being the Latest Practicable Date;

(b) a premium of approximately 95.00% over the closing price of HK$4.00 per Share as quoted on the Stock Exchange on 26 November 2024, being the Last Trading Date;

(c) a premium of approximately 110.81% over the closing price of HK$3.70 per Share as quoted on the Stock Exchange on 25 November 2024, being the trading day immediately prior to the Last Trading Date;

(d) a premium of approximately 112.07% over the average closing price of c. HK$3.68 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;

(e) a premium of approximately 111.19% over the average closing price of c. HK$3.69 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;

(f) a premium of approximately 110.30% over the average closing price of c. HK$3.71 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;

(g) a premium of approximately 112.47% over the average closing price of c. HK$3.67 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;

(h) a premium of approximately 107.01% over the average closing price of c. HK$3.77 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;

(i) a premium of approximately 247.63% to the unaudited consolidated equity attributable to Shareholders per Share of HK$2.24 as at 30 June 2024 (based on an exchange rate of HK$1.0 = RMB0.9237);

(j) a premium of approximately 290.38% to the audited consolidated equity attributable to Shareholders per Share of HK$2.00 as at 31 December 2023 (based on an exchange rate of HK$1.0 = RMB0.9237); and

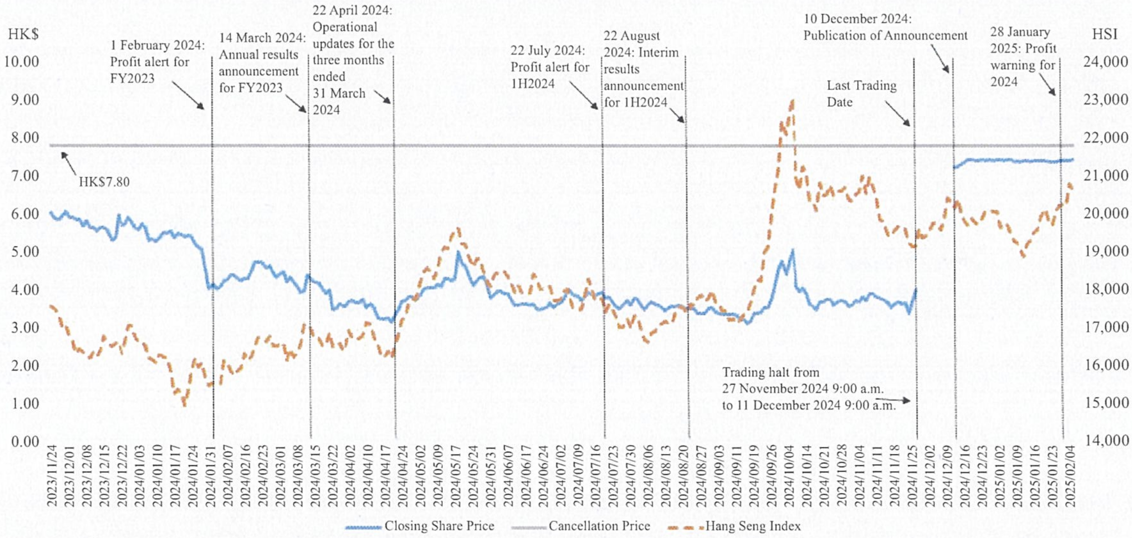
(k) a discount of approximately 27.41% to the Adjusted NAV of HK$10.74, calculated based on the unaudited adjusted net asset value attributable to the Group of RMB12,425,338,000 (based on an exchange rate of HK$1.0 = RMB0.9294, as extracted from Bloomberg as at 30 June 2024).

The premiums of the Cancellation Price over the closing price on Last Trading Date and various closing price averages from (c) to (h) above appear substantial. While we consider analysis of privatisation precedents not directly relevant for the reasons explained in the section "5. Privatisation precedents" below, for illustrative purposes for example, we note that of the 14 successful privatisation transactions which scheme documents were issued in 2024, the premium of their cancellation prices over their last trading date prices had ranged from nil to 162.8% with an average of 52.6% and median of 32.0%. Only three transactions out of 14 had relevant premiums which were higher than the 95.0% recorded in (b) above.

We note that after taking into account the valuation of the Group's property interests as at 30 November 2024, the Cancellation Price represents a discount of approximately 27.4% to the Adjusted NAV. We understand that these properties being revalued primarily represent the Group's resorts and hotels for operational purposes. As stated in the Scheme Document, there is no intention for the Company to make any material change, among other things, to the business of the Group (including any redeployment of any fixed asset of the Group) as at the Latest Practicable Date. For this reason, the aforesaid valuation which reflects the value if the property interests were sold in the market on the date of valuation is not fully and directly applicable when considering the Cancellation Price and we are of the view that the aforesaid 27.4% discount to the Adjusted NAV is acceptable.

4.1. Historical price performance of the Shares

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 24 November 2023 to the Last Trading Date ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**"). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors' reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Cancellation Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing prices of the Shares were HK$7.44 per share recorded on 7 February 2025, and HK$3.13 per Share recorded on 16 September 2024 respectively. The average daily closing price per Share over the Review Period was approximately HK$4.57 per Share. The Cancellation Price, being HK$7.80 per Scheme Share, represents a substantial premium of approximately 70.7% over such average of closing prices.

As illustrated in the graph above, the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period. During the Pre-Announcement Period, the Cancellation Price represents substantial premiums ranging from approximately 28.9% to 149.2% over the closing prices of the Shares. From end November 2023 to mid-April 2024, the closing prices of the Shares were in general on a downward trend and reached a low of HK$3.16 per Share on 19 April 2024, despite the Company having announced profit alert for FY2023 on 1 February 2024 and published its annual results announcement on 14 March 2024. Thereafter, the closing prices of the Shares rebounded and reached HK$4.70 per Share on 21 May 2024. However, this did not sustain for long as the Share closing price then dropped to HK$3.60 per Share on 13 June 2024. Between 14 June 2024 and 25 September 2024, the closing prices of the Shares had traded between HK$3.13 per Share to HK$4.01 per Share and recorded its lowest at HK$3.13 per Share on 16 September 2024. During the aforementioned period, the Company announced profit alert for 1H2024 on 22 July 2024 and published its interim results announcement on 22 August 2024. The Share closing price then surged to HK$5.05 per Share on 7 October 2024. We note that this upward price movement is in line with the overall market performance as evidenced by the Hang Seng Index, which increased significantly from 19,129 as at 25 September 2024 to 23,100 as at 7 October 2024. However, the Share closing price declined shortly to HK$3.47 per Share on 17 October 2024 and remained as such until the Last Trading Date, which closed at HK$4.00 per Share.

During the Post-Announcement Period, and when the trading of the Shares resumed at 9:00 a.m. on 11 December 2024 following the publication of the Announcement in relation to the Proposal, the Scheme and the Share Incentive Proposal, the Share closing price surged substantially to levels close to the Cancellation Price. As at the Latest Practicable Date, the Share price closed at HK$7.44 per Share. We are of the view that the current Share prices are underpinned by the presence of the Proposal and the absence or lapse of the Proposal may cause price of the Shares to retreat to levels before the Announcement.

Overall, considering the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period, and that it represents a substantial premium of approximately 70.7% over the average of closing prices of the Shares during the Review Period, we are of the view that the Cancellation Price is fair and reasonable from the point of view of the historical trading price of the Shares.

4.2. Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Disinterested Shareholders during the Review Period.

Month	**Number of trading days**	**Average daily trading volume** *(number of Shares)*	**Approximate % of average daily trading volume to total number of issued Shares as at the relevant month end**	**Approximate % of average daily trading volume to total number of issued Shares held by the Disinterested Shareholders**
2023				
November (from 24 November)	5	498,850	0.040%	0.195%
December	19	710,202	0.057%	0.278%
2024				
January	22	799,398	0.064%	0.313%
February	19	665,221	0.054%	0.261%
March	20	1,756,061	0.141%	0.688%
April	20	1,980,635	0.159%	0.776%
May	21	2,963,017	0.238%	1.161%
June	19	1,142,365	0.092%	0.448%

Month	Number of trading days	Average daily trading volume *(number of Shares)*	Approximate % of average daily trading volume to total number of issued Shares as at the relevant month end	Approximate % of average daily trading volume to total number of issued Shares held by the Disinterested Shareholders
July	22	1,143,086	0.092%	0.448%
August	22	815,003	0.066%	0.319%
September	19	1,468,511	0.118%	0.575%
October	21	2,098,383	0.169%	0.822%
November (up to the Last Trading Date)*(note)*	18	2,480,333	0.199%	0.972%
December (from 11 December)*(note)*	13	7,722,948	0.621%	3.026%
2025				
January	19	1,408,773	0.113%	0.552%
February (up to the Latest Practicable Date)	5	921,816	0.074%	0.361%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The Shares were suspended for trading from 9:00 a.m. on 27 November 2024 to 9:00 a.m. on 11 December 2024.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares; and (ii) the total number of Shares held by the Disinterested Shareholders, ranged from approximately 0.040% to approximately 0.621% and approximately 0.195% to approximately 3.026% respectively. The average daily trading volume of the Shares during the Pre-Announcement Period was approximately 1,475,984 Shares, representing approximately 0.119% of the total number of issued Shares and approximately 0.579% of the total number of Shares held by the Disinterested Shareholders as at the Last Trading Date.

We note that the trading volume of Shares increased after the publication of the Announcement where during the Post-Announcement Period, the average daily trading volume of Shares amounted to approximately 3,561,462 Shares, representing approximately 0.286% of the total number of issued Shares and approximately 1.395% of the total number of Shares held by the Disinterested Shareholders as at the

Latest Practicable Date. It can be concluded that the presence of the Proposal has spurred trading activities in the Shares which otherwise had been generally illiquid during the Pre-Announcement Period.

In the absence of the Proposal, Disinterested Shareholders will only be able to dispose of their Shares on-market to realise their investment in the Company. Considering the thin trading volume of Shares during the Pre-Announcement Period, Disinterested Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of Shares.

4.3. Comparable analysis

Comparable analysis involves determining the relative value of a company by comparing it to other companies in the similar industries and of similar scale.

To assess the fairness and reasonableness of the Cancellation Price, we have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Stock Exchange and are engaged in similar business of the Group for comparison purpose (the "**Comparable(s)**"). In addition, we have also made reference to the price-to-book ratio (the "**P/B Ratio(s)**") of the Comparables, being another commonly used valuation yardstick for analysis.

We have set the following selection criteria for the purpose of identifying Comparables:

(i) company whose shares are listed on the Main Board of the Stock Exchange and were not being suspended from trading as at the Latest Practicable Date;

(ii) over 80% of its latest financial year revenue was derived from the operation of resorts and/or hotels with international presence; and

(iii) of comparable operating scale to the Group with latest financial year revenue ranging from RMB5 billion to RMB35 billion (the Group's revenue in FY2023 was approximately RMB17.2 billion).

Based on the above criteria, we have identified one Comparable only, being Shangri-La Asia Ltd., which we believe is exhaustive based on those selection criteria above.

Given the small sample size of Comparable identified which may have imposed limitations on the generality of our market comparable analysis, the information set out below is for the Disinterested Shareholders' information only and we have not put emphasis on this analysis when arriving at our conclusion and recommendations regarding the Proposal and the Scheme.

Our relevant findings are summarised in the following table:

Stock code	Company name	Principal business	Market capitalisation[1] (HK$ million)	Net profit[2] (HK$ million)	Net asset value[3] (HK$ million)	P/E Ratio[4] (times)	P/B Ratio[5] (times)
69	Shangri-La Asia Ltd.	Shangri-La Asia Limited is principally engaged in hotel operation. Hotel ownership segment is engaged in hotel operation in Hong Kong, Mainland China, Singapore and Malaysia, among others. Property rentals segment is engaged in the leasing of office properties, commercial properties and serviced apartments. Hotel management segment is engaged in the provision of hotel management services. Property sales segment is engaged in the sales of properties. The company is also engaged in other businesses, such as wine trading and operation of golf courses. The hotels under the Company include Shangri-La and Hotel Jin, among others.	19,398	1,432	40,139	13.54	0.48
1992	**The Company[6]**		**9,709**	**332.6**	**2,792** **13,452[7]**	**29.19**	**3.48** **0.72[7]**

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Market capitalisation is calculated based on the share closing price times the total number of shares in issue as at the Latest Practicable Date. Where applicable, for illustrative purpose, (i) USD has been translated into RMB with exchange rate of USD1.0 = RMB7.185; and (ii) RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.9237 (being the same exchange rate as set out in "Part I — Definitions" of the Scheme Document).

(2) The net profit attributable to shareholders of the Comparable is extracted from its latest published annual results announcement/report prior to the Latest Practicable Date. Where applicable, for illustrative purpose, (i) USD has been translated into RMB with exchange rate of USD1.0 = RMB7.185; and (ii) RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.9237 (being the same exchange rate as set out in "Part I — Definitions" of the Scheme Document).

(3) The net asset value attributable to shareholders of the Comparable is extracted from its latest published annual/interim results announcement/report prior to the Latest Practicable Date. Where applicable, for illustrative purpose, (i) USD has been translated into RMB with exchange rate of USD1.0 = RMB7.185; and (ii) RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.9237 (being the same exchange rate as set out in "Part I — Definitions" of the Scheme Document).

(4) P/E Ratio of the Comparable is calculated based on its market capitalisation as described in note 1 above and divided by its net profit as described in note 2 above.

(5) P/B Ratio of the Comparable is calculated based on its market capitalisation as described in note 1 above and divided by its net asset value as described in note 3 above.

(6) The implied market capitalisation of the Company is calculated based on the Cancellation Price and 1,244,768,113 issued Shares. The implied P/E Ratio of the Company is calculated based on the implied market capitalisation and divided by the Group's net profit attributable to equity holders of the Company in FY2023. The implied P/B Ratio of the Company is calculated based on the implied market capitalisation, divided by the Group's net asset value attributable to equity holders as at 30 June 2024.

(7) This net asset value of the Group represents its consolidated net asset value attributable to Shareholders as at 30 June 2024 and adjusted with reference to the valuation of the Group's property interests as at 30 November 2024, further details of which are set out in Appendix IV to the Scheme Document. This implied P/B Ratio of the Company is calculated based on the implied market capitalisation as described in note 6 above, divided by the abovementioned adjusted net asset value of the Group (the "**Adjusted Implied P/B Ratio**").

As shown in the above table, from a P/E Ratio perspective, the valuation of the Company based on the implied market capitalisation arrived at using the Cancellation Price and the Group's net profit translates into an implied P/E Ratio of approximately 29.19 times. This is significantly higher than the Comparable's P/E Ratio of approximately 13.54 times.

From a P/B Ratio perspective, the valuation of the Company based on the implied market capitalisation arrived at using the Cancellation Price and the Group's net asset value translates into an implied P/B Ratio of approximately 3.48 times. This is also significantly higher than the Comparable's P/B Ratio of approximately 0.48 times. We note that after taking into account the valuation of the Group's property interests as at 30 November 2024, the Adjusted Implied P/B Ratio of approximately 0.72 times remains higher than the Comparable's P/B Ratio.

5. Privatisation precedents

It is disclosed in the section headed "2. Terms of the Proposal" set out in "Part VI — Explanatory Memorandum" of the Scheme Document that the Cancellation Price has been determined, among others, with reference to other privatisation transactions in Hong Kong in recent years. From our perspective in this case, past privatisation transactions of companies listed on the Stock Exchange are less of a reference for assessing the fairness and reasonableness of the Cancellation Price considering these companies are from different industries, which therefore have different market fundamentals and prospects compared to those faced by the Group at this moment. In addition, the fact that past privatisation transactions were conducted at periods of different economic, industry and financial market cycles, and depending on the outlook at that point in time, will result in different considerations for their respective shareholders at that time. There are also variations in terms of scale of operations, financial performance and position as well as trading prospects and hence difference in risk premiums afforded by the market. Accordingly, we consider that the analysis in other sections in this letter to be more relevant for the Disinterested Shareholders to make an informed assessment on the fairness and reasonableness of the Cancellation Price.

6. **The Share Incentive Proposal**

As at the Latest Practicable Date, there were 56,879,819 outstanding Share Incentives, comprising:

(a) 48,177,874 Share Options, including:

(i) 25,169,374 Pre-IPO Share Options, including

(A) 21,169,374 Vested Pre-IPO Share Options, each giving holders the right to subscribe for one new Share per Pre-IPO Share Option at an exercise price of HK$8.43 per Pre-IPO Share Option or HK$15.60 per Pre-IPO Share Option; and

(B) 4,000,000 Unvested Pre-IPO Share Options, each giving holders the contingent right upon vesting to subscribe for one new Share per Pre-IPO Share Option at an exercise price of HK$8.43 per Pre-IPO Share Option;

(ii) 13,402,000 2019 Share Options, including

(A) 7,483,000 Vested 2019 Share Options, each giving holders the right to subscribe for one new Share per 2019 Share Option at the relevant exercise price, which ranges from HK$8.37 to HK$11.70 per 2019 Share Option; and

(B) 5,919,000 Unvested 2019 Share Options, each giving holders the contingent right upon vesting to subscribe for one new Share per 2019 Share Option at the exercise price, which ranges from HK$8.37 to HK$11.70 per 2019 Share Option; and

(iii) 9,606,500 2024 Share Options, all of which are unvested and each giving holders the contingent right upon vesting to subscribe for one new Share per 2024 Share Option at the exercise price of HK$4.30 per 2024 Share Option; and

(b) 8,701,945 Share Units, including

(i) 2,898,945 2019 Share Units, all of which are unvested and each giving holders the contingent right upon vesting to receive one new Share per 2019 Share Unit at no consideration; and

(ii) 5,803,000 2024 Share Units, all of which are unvested and each giving holders the contingent right upon vesting to receive one new Share per 2024 Share Unit at no consideration.

The Company will make an appropriate offer to the Share Incentive Holders in accordance with Rule 13 of the Takeovers Code. Details of the Share Incentive Proposal for cancellation of each Share Option and Share Unit are set out below.

	Exercise price(s)	Cancellation price
Vested Option Proposal		
(i) 21,169,374 Vested Pre-IPO Share Options	HK$8.43 or HK$15.60	HK$0.0001
(ii) 7,483,000 Vested 2019 Share Options	HK$8.37, HK$9.37, HK$10.69 or HK$11.70	HK$0.0001
Unvested Share Incentive Proposal		
(i) 4,000,000 Unvested Pre-IPO Share Options	HK$8.43	HK$0.0001
(ii) 5,919,000 Unvested 2019 Share Options	HK$8.37, HK$9.37, HK$10.69 or HK$11.70	HK$0.0001
(iii) 9,606,500 Unvested 2024 Share Options	HK$4.30	HK$3.50 *(when such 2024 Share Option would have become vested in accordance with the existing schedule and conditions of grant under the 2024 Share Option Scheme)*
(iv) 2,898,945 Unvested 2019 Share Units	nil	HK$7.80 *(in accordance with the existing schedule and conditions of grant under the 2019 Share Award Plan)*
(v) 5,803,000 Unvested 2024 Share Units	nil	HK$7.80 *(in accordance with the existing schedule and conditions of grant under the 2024 Share Award Plan)*

We note that the cancellation price for each Share Option and Share Unit under the Share Incentive Proposal has been calculated in compliance with Rule 13 of the Takeovers Code, where each cancellation price represents the "see-through" price, being (i) the difference between the Cancellation Price and the exercise price for each Share Option; or (ii) the Cancellation Price in the case of Share Unit.

Based on the Cancellation Price of HK$7.80 per Scheme Share, Share Options with exercise price of HK$4.30 per Share were offered a see-through price of HK$3.50 per Share Option, being the Cancellation Price minus the aforesaid exercise price; while the remaining

Share Options with exercise prices exceeding the Cancellation Price were offered a nominal amount of HK$0.0001 for every Share Option. For Share Units, the Cancellation Price of HK$7.80 per Share Unit were offered.

As the cancellation price for each Share Option and Share Unit was based on the Cancellation Price of HK$7.80 per Scheme Share, which was offered to all the Disinterested Shareholders, we are of the view that the see-through basis is fair and reasonable. Further, as we consider that the Cancellation Price to be fair and reasonable as further elaborated in other sections in this letter, each see-through price (which is based on the Cancellation Price) is also considered fair and reasonable so far as the Share Incentive Holders are concerned.

7. Special Deal Relating to the Controlling Shareholders Rollover Arrangement

As at the Latest Practicable Date, the Controlling Shareholders hold 987,339,132 Shares, representing approximately 79.32% if the issued share capital of the Company.

Pursuant to the Proposal, the Company proposes that the Controlling Shareholders will retain their shareholding, i.e. the Controlling Shareholders remain as Shareholders after the Scheme becomes effective so that, subject to the exercise or vesting of Share Incentives which are not cancelled pursuant to the Share Incentive Proposal, the Company will become wholly-owned by the Controlling Shareholders. Accordingly, the Shares held by the Controlling Shareholders will not form part of the Scheme Shares.

As the Controlling Shareholders Rollover Arrangement is not offered to all Shareholders, it constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Company has made an application to the Executive on 30 December 2024 to obtain the Executive's consent to the Controlling Shareholders Rollover Arrangement, subject to (a) the Independent Financial Adviser confirming that the terms of the Controlling Shareholders Rollover Arrangement are fair and reasonable; and (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the terms of the Controlling Shareholders Rollover Arrangement.

The grant of consent from the Executive in respect of the Controlling Shareholders Rollover Arrangement is a condition to the Proposal, as detailed in the paragraph headed "3. Conditions of the Proposal and the Scheme" set out in "Part VI — Explanatory Memorandum" of the Scheme Document.

We note that the Controlling Shareholders have been instrumental in setting up and supporting the operations and businesses of the Group since the incorporation of the Company. We therefore consider that it is reasonable for the Controlling Shareholders to remain as the only shareholders of the Company after the Scheme becomes effective as this is the fundamental basis of the Proposal. As such, we are of the view that the special deal relating to the Controlling Shareholders Rollover Arrangement is fair and reasonable.

RECOMMENDATIONS

In summary, we have considered the below factors and reasons in arriving at our conclusion and recommendations regarding the Proposal and the Scheme.

(a) Our analysis in the section headed "**1.2. Historical financial performance of the Group**" shows that the Group's revenue had grown between FY2022 and 1H2024 underpinned by recovery of global tourism, but such growth is normalising. Profitability of the Group had in fact declined in 1H2024.

(b) The Group's financial position, while stable, had consistently recorded net current liabilities as set out in the section headed "**1.2. Historical financial performance of the Group**". Its financial health therefore depends on its ability to manage its short-term liquidity.

(c) As detailed in the section headed "**1.4. Industry and outlook of the Group**", the strong recovery of the global tourism industry post COVID-19 pandemic is normalising. This stable trend with lingering risks of geopolitical uncertainties and economic slowdown may continue in the near future. If this persists, the industry as a whole and the Group may lack significant positive news which create impetus for Share price to increase beyond the Cancellation Price.

(d) As detailed in the section headed "**3. Rationale of the Proposal**", the Proposal enables the Disinterested Shareholders to receive immediate cash proceeds at a substantial premium to the prevailing market price amidst low trading liquidity of the Shares; while from the Company's perspective, the usefulness of a listed platform has diminished and the Proposal enables the Company to have more flexibility in deploying and implementing its long-term strategies as a private company.

(e) The Cancellation Price represents a consistent premium over the closing prices of the Shares during the Review Period and a premium to the net asset value of the Shares as detailed in the section headed "**4.1. Historical price performance of the Shares**". Although it represents a discount when compared to the Adjusted NAV after taking into account the valuation of the Group's property interests as at 30 November 2024, the aforesaid valuation which reflects the value if the property interests were sold in the market on the date of valuation is not fully and directly applicable when considering the Cancellation Price and we are of the view that such discount to the Adjusted NAV is acceptable, as detailed in the section headed "**4. The Cancellation Price**".

(f) The trading volume of the Shares had been generally thin during the Review Period as detailed in the section headed "**4.2. Trading Liquidity of the Shares**" and the Scheme provides an opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares.

(g) As detailed in the section headed "**6. The Share Incentive Proposal**", as the Cancellation Price and the see-through basis are considered to be fair and reasonable, the Share Incentive Proposal is fair and reasonable so far as the Share Incentive Holders are concerned.

(h) The special deal relating to the Controlling Shareholders Rollover Arrangement (as detailed in the section headed "**7. The Controlling Shareholders Rollover Arrangement**") which entails the Controlling Shareholders remaining as the only shareholders of the Company after the Scheme becomes effective is the fundamental basis of the Proposal.

Recommendation for the Disinterested Shareholders

In light of the above, we (i) are of the opinion that the Proposal, the Scheme, the Share Incentive Proposal and the Controlling Shareholders Rollover Arrangement are fair and reasonable; and (ii) recommend the Disinterested Shareholders to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal and the Scheme at the EGM.

Recommendation for the Share Incentive Holders

We are of the opinion that the Share Incentive Proposal is fair and reasonable so far as the Share Incentive Holders are concerned. Accordingly, we recommend the Share Incentive Holders to accept the Share Incentive Proposal.

As different Scheme Shareholders and Share Incentive Holders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Disinterested Shareholders and Share Incentive Holders who may require advice in relation to any aspect of the Scheme Document, or as to the action(s) to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Disinterested Shareholders and Share Incentive Holders are reminded that they should make their decisions to dispose of or retain their investments, having regard to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Company during the offer period, and they may consider selling their Shares or exercising their Share Incentive(s) and selling the underlying Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Proposal and the Share Incentive Proposal.

Yours faithfully,
For and behalf of
Altus Capital Limited

Jeanny Leung	**Chang Sean Pey**
Responsible Officer	*Responsible Officer*

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

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