RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
浤 博 資 本 有 限 公 司

28 July 2025

To: the Independent Board Committee

Beijing Properties (Holdings) Limited
66th Floor Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Dear Sir or Madam,

(1) PROPOSAL FOR THE PRIVATISATION OF BEIJING PROPERTIES (HOLDINGS) LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT (2) PROPOSED WITHDRAWAL OF LISTING

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the scheme document dated 28 July 2025 jointly issued by the Company and the Offeror (the "**Scheme Document**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meaning as those defined in the Scheme Document.

On 17 June 2025, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

The Proposal will be implemented by way of the Scheme. Under the Scheme, the Scheme Shares will be cancelled in exchange for the payment of the Cancellation Price of HK$0.140 in cash for each Scheme Share.

On the Announcement Date, the Offeror and the Sellers entered into the SPA, pursuant to which the Sellers agreed to sell, and the Offeror agreed to purchase, the Sale Shares, being 156,466,000 Shares and representing approximately 2.25% of the total issued Shares as at the Announcement Date, for a consideration of HK$21,905,240.000 (or HK$0.140 per Sale Share, being equal to the Cancellation Price). SPA Completion took place on 18 July 2025. As at the Latest Practicable Date, the Offeror held in aggregate 1,714,258,500 Shares, representing approximately 24.60% of the total issued Shares.

As at the Latest Practicable Date, 4,815,758,560 Shares (representing approximately 69.10% of the total issued Shares as at the Latest Practicable Date) were held by the Controlling Shareholders, among which 1,714,258,500 Shares (representing approximately 24.60% of the total issued Shares as at the Latest Practicable Date) were held by the Offeror. As the Controlling Shareholders, including the Offeror, are not Scheme Shareholders, they will not vote on the Scheme at the Court Meeting.

On the Announcement Date, each of the IU Shareholders, who collectively hold, directly or indirectly, 344,019,831 Shares (representing approximately 4.94% of the total issued Shares as at the Latest Practicable Date), executed the Irrevocable Undertakings in favour of the Offeror and undertook, among other things: (i) to exercise or procure the exercise of all voting rights attaching to its Shares, (a) to vote in favour of all resolutions to approve the Scheme, the Proposal and any matters in connection with such at the Court Meeting and the SGM; and (b) to vote against any resolution which (1) might reasonably be expected to restrict, impede or delay implementation of the Scheme and/or the Proposal; or (2) approves or gives effect to a proposal by a person other than the Offeror, to acquire (or have issued to it) any Shares or any assets of the Company or to privatise or delist the Company; and (ii) not to: (a) directly or indirectly, sell, transfer, charge, encumber, grant any option over (or cause the same to be done) or otherwise dispose of any interest in its Shares (including accepting any other offer in respect of its Shares); and (b) except with the prior written consent of the Offeror, acquire, directly or indirectly, any additional shares, securities or other interests of the Company. The Irrevocable Undertakings will be terminated if the Proposal does not take effect, lapses, or is withdrawn.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee which comprises all of the non-executive Directors who have no direct or indirect interest in the Proposal, namely, Mr. Goh Gen Cheung, Mr. James Chan and Dr. Li Huiqun, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and the SGM. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in connection with the Proposal and the Scheme and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not associated with the Company, the Offeror, the Offeror Concert Parties, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Save for our appointment as the Independent Financial Adviser to the Independent Board Committee in connection with the Proposal and the Scheme, there has been no engagement between the Group, the Offeror or the Offeror Concert Parties and us as at the Latest Practicable Date and in the last two years. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Offeror Concert Parties, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Disinterested Shareholders in respect of the Proposal and the Scheme.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Announcement and the Scheme Document; (ii) the annual reports of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**") and the year ended 31 December 2024 (the "**2024 Annual Report**"); (iii) the valuation report prepared by Vincorn Consulting and Appraisal Limited in relation to the value of the properties held by the Group as at 30 June 2025 (the "**Property Valuation Report**"); (iv) the information supplied by the Directors and the management of the Group; and (v) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Scheme Document were true and accurate in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Scheme document were reasonably made after due and careful enquiry. We have no reason to doubt the truth and accuracy of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Scheme Document and that all information or representations provided to us by the Directors and the management of the Group are true and accurate in all material respects and not misleading in any material respect at the time they were made and continue to be so until the Latest Practicable Date.

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

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of independent in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the Offeror, the Offeror Concert Parties or any of their respective subsidiaries and associates.

PRINCIPAL TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme. Under the Scheme, the Scheme Shares will be cancelled in exchange for the payment of the Cancellation Price of HK$0.140 in cash for each Scheme Share.

The Offeror has advised that the Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). However, if, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror shall reduce the Cancellation Price by the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following, among others:

(i) the approval of the Scheme (by way of a poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that: (a) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Shares that are voted either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares; and

(ii) the passing of: (a) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the SGM to approve and give effect to any reduction of the share capital of the Company associated with cancelling and extinguishing the Scheme Shares; and (b) an ordinary resolution by the Shareholders at the SGM to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares issued to the Offeror.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (being 30 May 2026 or such later date the Offeror may determine, subject to the consent of the Court and/or the Executive (as applicable)), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions. If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

For details of the Conditions, please refer to the section headed "Terms of the Proposal" in the Letter from the Board.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Group positioned itself as a professional property developer, focusing on logistics warehouses, cold storage, industrial factories and primary land development, while operating certain commercial projects. The Shares have been listed on the Main Board of the Stock Exchange since 1998.

However, the Group's previous business in property development was an asset-heavy business with a large capital backlog and a long payback period, of which the huge expenditure on finance costs directly affected the Group's profitability. Therefore, having cautiously assessed the sustainable development of the business in the future and with a view to achieving a reduction in liabilities and finance expenses while diversifying revenue to improve its profitability, the Group decided to carry out a business transformation since 2019. First, the Group has stopped making new investments in the pan-property development field and gradually withdrawn from it through the continued disposal of assets of mature projects. Secondly, the Group has leveraged on the cold chain business that has been developed since 2019 to penetrate upstream and downstream to carry out the food supply chain business in the PRC.

Set out below are the brief descriptions of the principal activities of the Group for the three years ended 31 December 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively). The revenue of the Group for FY2022, FY2023 and FY2024 were substantially generated from (i) the property business; (ii) the logistics business; (iii) the industrial business; and (iv) the supply chain business.

(i) The property business

The Group's property business involves the leasing of commercial properties and a health care property in the PRC and the provision of related management services, which contributed to approximately 6.1%, 5.1% and 8.5% of its total revenue for FY2022, FY2023 and FY2024, respectively.

The Group currently holds two commercial properties, being a metro mall in Guangzhou and a four-star business and leisure hotel in Beijing. The metro mall has a total gross floor area of approximately 61,967 sq.m., and is a commercial complex providing dining, entertainment, shopping and cultural experience to young customers aged between 16 and 28. The average occupancy rate of the owned area of the metro mall was approximately 88.15%, 86.48% and 83.19% for FY2022, FY2023 and FY2024, respectively. On the other hand, the hotel has entrusted its operations to an elderly care management company in 2019 and commenced operation in the second quarter of 2024.

(ii) The logistics business

The Group's logistics business involves the leasing of general warehouses, cold chain logistics warehouses and a specialised wholesale market and the provision of related logistics and management services, which contributed to approximately 23.4%, 12.3% and 14.2% of its total revenue for FY2022, FY2023 and FY2024, respectively.

Details of the logistics properties held by the Group are as follows:

Location of properties	**Planned and owned area/ storage capacity** *(sq.m./ton)*	**Operating leaseable area/ storage capacity** *(sq.m./ton)*	**Average occupancy rate for FY2022** *(%)*	**Average occupancy rate for FY2023** *(%)*	**Average occupancy rate for FY2024** *(%)*
High-end and modern general warehouses					
Pudong District, Shanghai	211,555	211,555	54.78	60.09	56.73
Tianjin (Tianjin Airport Zone of Tianjin Free Trade Zone)	57,670	57,670	95.12	37.43	34.95
Tianjin (Tianjin Port Zone of Tianjin Free Trade Zone)	16,083	16,083	100.00	100.00	73.36
Dongpo District, Meishan	97,809	97,809	60.27	62.33	57.34
Ke'erqin District, Tongliao	31,113	31,113	80.98	81.41	84.32
Jiaozhou, Qingdao	145,170	– *(Note)*	N/A	N/A	N/A
Cold chain logistics warehouses					
Hangu District, Tianjin	75,000	45,000	88.41	59.90	30.08
Chengyang District, Qingdao	8,000	8,000	100.00	100.00	100.00
Specialised wholesale market					
Wholesale trading zone	Phase I:	162,004	84.97	82.54	79.78
Storage service zone	41,282	as at 31	79.52	79.00	75.00
Public ancillary market facility zone	Phase II: 153,856	December 2024	N/A	81.15	86.46

Note: The project started in March 2020 but has been suspended during the COVID-19 pandemic. The preparatory work for resumption is still underway and the project is expected to be completed by the first quarter of 2027.

High-end and modern general warehouses are the developed projects that the Group gives priority for disposal. The Group has completed the disposal of the Tongzhou District, Beijing project, the Tong'an District, Xiamen project and the Chengmai District, Hainan project in 2022 and 2023. The disposals of the Pudong District, Shanghai project, the Tianjin (Tianjin Airport Zone of Tianjin Free Trade Zone) project, the Tianjin (Tianjin Port Zone of Tianjin Free Trade Zone) project and the Jiaozhou City, Qingdao project with the total area of approximately 430,000 sq.m. are also under planning in an orderly manner.

In respect of the cold chain logistics warehouses, the Tianjin cold chain warehouse is positioned to serve as a cold chain logistics hub and a processing and distribution centre for aquatic products in northern China. Occupying an area of approximately 31,301 sq.m., Phase I of the project has both cold chain storage space and freezer with a total storage capacity of approximately 45,000 tons. With an estimated total investment of RMB100 million, Phase II of the project has obtained government approval and preliminary work is in progress. Furthermore, the Qingdao cold chain warehouse is mainly engaged in the operation of cold logistics storage facilities in Chengyang District of Qingdao. The Group has entered into a ten-year business cooperation arrangement with a logistics storage and transportation company since 2021, so that the occupancy rate of the cold storage reaching 100% in recent years.

The Group has been approved by Quzhou government authorities, to establish a modern agricultural wholesale market project in Quzhou, Zhejiang Province, the PRC, including an agricultural exchange zone and ancillary commercial facilities. This agricultural wholesale market project will be constructed and developed in two phases. Phase I has a gross floor area of approximately 41,282 sq.m. and was officially opened in August 2015. Phase II consists of three lots. Lots I and II have a gross floor area of approximately 153,856 sq.m. and were officially opened in November 2017. Lot III is at the stage of sketch design refinement. As of 31 December 2024, this project had a leaseable area of approximately 162,004 sq.m., including a wholesale trading zone, a comprehensive market trading zone, a storage service zone and a public ancillary market facility zone. The operation team is making continuous efforts to conduct internal regional adjustment of the existing assets in order to improve the overall occupancy rate and the rent unit price, so that the project can achieve profitability as soon as possible.

(iii) The industrial business

The Group's industrial business involves the leasing of industrial plants, provision of related management services and sale of properties, which contributed to approximately 13.5%, 5.5% and 4.9% of its total revenue for FY2022, FY2023 and FY2024, respectively.

In response to the demand for relocation of high-end manufacturing industries in Shanghai, the Group commenced the industrial business at the end of 2016. In 2022, the Group successfully disposed of its completed projects in Taicang, Changshu and Suzhou.

At present, the only industrial plant held by the Group is located in Changzhou. This project is planned to have a gross floor area of approximately 476,403 sq.m and a planned and owned area of approximately 340,882 sq.m. With a total investment of approximately RMB2,000 million, it will be developed in two phases. Construction of Phase I has been completed and accepted on 30 June 2022 and is actively being leased and sold, with 11,187.62 sq.m. of sale area completed, and leasing area of 21,489 sq.m. Phase II of the project is currently in the process of completing the extension of the completion date, which is planned to be extended to 5 November 2026. The Group plans to negotiate with the local government to jointly find suitable project investors to complete the Phase II of the project construction in the future.

(iv) The supply chain business

The Group's supply chain business involves the trading of frozen products, which contributed to approximately 57.0%, 77.1% and 72.4% of its total revenue for FY2022, FY2023 and FY2024, respectively.

Relying on the existing online and offline cold chain and agricultural wholesale market infrastructure that has become mature, the Group has extended and focused on its nationwide supply chain business and further developed it through the self-developed online trading platform. The Group's supply chain business has rolled out international trade service, cold chain storage service and electronic business system development service for frozen products. Its strategic objective is to establish the best comprehensive supply chain industry service platform in the PRC to save costs and increase revenue for its customers by making full use of digital technologies while eliminating financial risk of financial institutions by realising full control over inventories, information and funds along the whole chain.

Online services and trading platforms are the main drivers of the Group's supply chain business development. The Group has developed Coldeal（凍品e港）(www.cciinet.com) and gradually optimised and launched different versions of Coldeal with successful integration of online registration, trading and payment. The total number of registered users and certified enterprises of Coldeal have increased from 102,556 and 1,041 as at 31 December 2022, respectively, to 202,876 and 7,164 as at 31 December 2024, respectively. So far, Coldeal serves more than 400 counties and cities in about 31 provinces across the country by integrating over 3,173 logistics companies, over 16,947 logistics routes and over 7,000 cold storage across the country. Meanwhile, the Group has reached in-depth strategic cooperation with enterprises along the supply chain and industry chain, which covered, among others, Dalian Bonded Zone, Dalian Economic and Technological Development Zone, Yangshan Free Trade Zone in Shanghai, Pudong New Area in Shanghai, Tianjin Bonded Zone and Yantian District in Shenzhen.

2. Financial information of the Group

Set out in the table below is a summary of the consolidated financial performance of the Group for the three years ended 31 December 2024, as extracted from the 2023 Annual Report and the 2024 Annual Report:

(i) Financial performance

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
	(restated)		
Revenue	**1,125,947**	**1,468,336**	**864,864**
– Property business	68,994	74,883	73,763
– Logistics business	263,453	180,534	122,428
– Industrial business	151,626	80,724	42,200
– Supply chain business	641,874	1,132,195	626,473
Cost of sales and services	(726,126)	(1,234,240)	(732,361)
Gross profit	**399,821**	**234,096**	**132,503**
Gross profit margin	*35.5%*	*15.9%*	*15.3%*
Changes in fair value of investment properties, net	35,376	(280,487)	(154,155)
Gain on disposal of subsidiaries	545,995	465	55,767
Other income and gains, net	48,243	55,236	19,815
Selling and distribution expenses	(6,492)	(15,762)	(7,142)
Administrative expenses	(185,226)	(130,670)	(96,026)
Other expenses, net	(27,564)	(12,450)	(48,813)
Finance costs	(525,271)	(474,288)	(415,944)
Share of profits and losses of:			
– Joint ventures	15,602	(15,004)	1
– Associates	(40,478)	(285,783)	(120,077)
Profit/(Loss) before tax	**260,006**	**(924,647)**	**(634,071)**
Income tax (expense)/credit	(196,493)	14,764	82,389
Profit/(Loss) for the year	**63,513**	**(909,883)**	**(551,682)**
Loss attributable to the Shareholders	**(70,973)**	**(901,406)**	**(536,847)**

FY2023 as compared to FY2022

The total revenue of the Group amounted to approximately RMB1,468.3 million for FY2023, representing an increase of approximately 30.4% as compared to the total revenue of approximately RMB1,125.9 million for FY2022. Such increase was primarily attributable to the increase in revenue from supply chain business by approximately 76.4% from approximately RMB641.9 million for FY2022 to approximately RMB1,132.2 million for FY2023 as a result of the development of the Group's supply chain business which provides integrated logistics services for high-value imported meat and aquatic products and the expansion of the total number of registered users and certified enterprises of the Group's online services and trading platform Coldeal, which was partially offset by (a) the decrease in revenue from logistics business by approximately 31.5% from approximately RMB263.5 million for FY2022 to approximately RMB180.5 million for FY2023 which was mainly due to (1) the Group's disposal of three high-end and modern general warehouses in 2022 and 2023; (2) the cancellation of nucleic acid detection and disinfection operations which had a significant impact on revenue; and (3) the decrease in the average occupancy rate in the Tianjin cold chain warehouse; and (b) the decrease in revenue from industrial business by approximately 46.8% from approximately RMB151.6 million for FY2022 to approximately RMB80.7 million for FY2023 as a result of the Group's disposal of three projects in Jiangsu in 2022.

Despite the increase in revenue, the Group's gross profit decreased by approximately 41.4% from approximately RMB399.8 million for FY2022 to approximately RMB234.1 million for FY2023, primarily attributable to the decrease in gross profit margin from approximately 35.5% for FY2022 to approximately 15.9% for FY2023 as a result of (a) the gross loss margin recorded by the Group's supply chain business for FY2023; (b) the decrease in gross profit margin of the Group's industrial business from approximately 79.9% for FY2022 to approximately 56.4% for FY2023 mainly due to the increase in the portion of profit from disposal of properties; and (c) the decrease in gross profit margin of the Group's property business from approximately 96.6% for FY2022 to approximately 84.8% for FY2023 mainly due to a one-off compensation for the termination of employment contracts of hotel staff. The Group's supply chain business recorded a change from gross profit margin of approximately 2.2% for FY2022 to gross loss margin of approximately 1.3% for FY2023. Since the significant increase in revenue generated from supply chain business with gross loss margin, the Group's gross profit margin decreased in FY2023.

The Group recorded a change from net fair value gain of investment properties of approximately RMB35.4 million for FY2022 to net fair value loss of investment properties of approximately RMB280.5 million for FY2023, primarily attributable to the fair value changes of properties located in Guangzhou and Zhejiang.

The Group's gain on disposal of subsidiaries decreased by approximately 99.9% from approximately RMB546.0 million for FY2022 to approximately RMB0.5 million for FY2023, primarily attributable to the decrease in the number of projects disposed by the Group in 2023.

The Group's administrative expenses decreased by approximately 29.5% from approximately RMB185.2 million for FY2022 to approximately RMB130.7 million for FY2023, primarily attributable to the decrease in legal and professional fee for the disposal of subsidiaries, the decrease in staff cost and the decrease in the property tax from industrial group.

The Group's net other expenses decreased by approximately 54.8% from approximately RMB27.6 million for FY2022 to approximately RMB12.5 million for FY2023, primarily attributable to the foreign exchange differences in 2022.

The Group's finance costs decreased by approximately 9.7% from approximately RMB525.3 million for FY2022 to approximately RMB474.3 million for FY2023, primarily attributable to the decrease in the Group's total borrowings during 2023.

The Group's share of losses of joint ventures and associates increased by approximately 1,109.1% from approximately RMB24.9 million for FY2022 to approximately RMB300.8 million for FY2023, primarily attributable to the poor financial results and impairment losses of joint venture and associates.

Owing to the factors as mentioned above, the Group recorded a significant increase in loss attributable to the Shareholders by approximately 1,170.1% from approximately RMB71.0 million for FY2022 to approximately RMB901.4 million for FY2023.

FY2024 as compared to FY2023

The total revenue of the Group amounted to approximately RMB864.9 million for FY2024, representing a decrease of approximately 41.1% as compared to the total revenue of approximately RMB1,468.3 million for FY2023. Such decrease was primarily attributable to (a) the decrease in revenue from supply chain business by approximately 44.7% from approximately RMB1,132.2 million for FY2023 to approximately RMB626.5 million for FY2024, as a result of the reorganisation of customer base to align with future business development. In FY2024, the Group ceased engagements with certain customers following an evaluation of their creditworthiness and purchasing behaviour, and the Group planned to optimise its customer structure and redeploy its limited resources on customers that have good credit and high stocks turnover rate that better align with the Group's strategic development objectives; (b) the decrease in revenue from logistics business by approximately 32.2% from approximately RMB180.5 million for FY2023 to approximately RMB122.4 million for

FY2024 which was mainly due to (1) the Group's disposal of two high-end and modern general warehouses in October 2023; and (2) the decrease in the average occupancy rate in high-end and modern general warehouses and cold chain warehouse in Tianjin; and (c) the decrease in revenue from industrial business by approximately 47.7% from approximately RMB80.7 million for FY2023 to approximately RMB42.2 million for FY2024 as a result of the disposal of a project in Zhejiang in January 2024.

In line with the decrease in revenue, the Group's gross profit decreased by approximately 43.4% from approximately RMB234.1 million for FY2023 to approximately RMB132.5 million for FY2024. The Group's gross profit margin remained relatively stable at approximately 15.9% and 15.3% for FY2023 and FY2024, respectively.

The Group's net fair value loss of investment properties decreased by approximately 45.0% from approximately RMB280.5 million for FY2023 to approximately RMB154.2 million for FY2024, primarily attributable to the fair value changes of properties located in Guangzhou and Shanghai.

The Group's gain on disposal of subsidiaries increased by approximately 11,892.9% from approximately RMB0.5 million for FY2023 to approximately RMB55.8 million for FY2024, primarily attributable to the higher value of the Jiaxing project disposed by the Group in 2024. The Jiaxing project was an industrial warehouse located in Jiaxing, Zhejiang Province, the PRC and disposed by the Group in January 2024 for a total cash consideration of approximately RMB276.7 million.

The Group's administrative expenses decreased by approximately 26.5% from approximately RMB130.7 million for FY2023 to approximately RMB96.0 million for FY2024, primarily attributable to the decrease in legal and professional fee for the disposal of subsidiaries, the decrease in staff cost and the decrease in the property tax from industrial group.

The Group's net other expenses increased by approximately 292.1% from approximately RMB12.5 million for FY2023 to approximately RMB48.8 million for FY2024, primarily attributable to (a) the provision of contingent consideration payable of approximately RMB24.2 million; and (b) the foreign exchange differences in 2024.

The Group's finance costs decreased by approximately 12.3% from approximately RMB474.3 million for FY2023 to approximately RMB415.9 million for FY2024, primarily attributable to the decrease in the Group's total borrowings during 2024.

The Group's share of losses of joint ventures and associates decreased by approximately 60.1% from approximately RMB300.8 million for FY2023 to approximately RMB120.1 million for FY2024, primarily attributable to the improved financial results of joint venture and associates.

Owing to the factors as mentioned above, the Group recorded a decrease in loss attributable to the Shareholders by approximately 40.4% from approximately RMB901.4 million for FY2023 to approximately RMB536.9 million for FY2024.

(ii) Financial position

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited) (restated)	(audited)	(audited)
Non-current assets	**9,089,558**	**8,065,613**	**10,256,282**
Property, plant and equipment	436,691	433,478	419,071
Investment properties	4,089,995	3,467,683	5,609,652
Right-of-use assets	60,368	57,782	55,197
Goodwill	89,549	91,953	152,425
Interests in joint ventures	204,736	70,936	70,937
Interests in associates	515,909	227,376	207,900
Equity instruments at fair value through other comprehensive income	18,702	11,254	9,427
Land held for development or sale	3,673,608	3,705,151	3,731,673
Current assets	**6,587,703**	**5,537,469**	**2,718,713**
Properties under development for sale	19,419	22,138	21,151
Properties held for sale	1,699,202	1,720,614	1,702,044
Inventories	374,921	316,911	112,156
Trade receivables	99,086	90,333	115,126
Prepayments, deposits and other receivables	548,300	250,236	80,343
Due from joint ventures	4,977	5,046	5,046
Financial asset at fair value through profit or loss	180,000	–	–
Pledged and restricted bank deposits	5,837	9,090	32,525
Cash and cash equivalents	647,403	366,010	650,322
Assets of disposal groups classified as held for sale	3,008,558	2,757,091	–
Total assets	**15,677,261**	**13,603,082**	**12,974,995**

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
	(restated)		
Current liabilities	**8,578,773**	**2,788,448**	**1,335,904**
Trade payables	212,834	136,867	135,896
Other payables and accruals	595,541	494,036	519,603
Due to other related parties	233,930	503,623	17,739
Bank and other borrowings	1,509,028	898,317	399,483
Guaranteed bonds	4,926,286	–	–
Income tax payables	103,648	58,744	56,966
Provision for compensation	203,077	201,357	206,217
Liability directly associated with the assets of disposal groups classified as held for sale	794,429	495,504	–
Non-current liabilities	**2,887,879**	**7,810,857**	**9,191,190**
Due to a joint venture	176,809	176,809	176,809
Due to other related parties	54,278	–	–
Bank and other borrowings	1,412,165	6,533,100	6,199,297
Guaranteed bonds	–	–	1,490,277
Deferred income	70,759	19,946	17,926
Defined benefit obligations	11,559	7,810	8,950
Deferred tax liabilities	1,162,309	1,073,192	1,297,931
Total liabilities	**11,466,652**	**10,599,305**	**10,527,094**
Net current (liabilities)/assets	**(1,991,070)**	**2,749,021**	**1,382,809**
Total equity	**4,210,609**	**3,003,777**	**2,447,901**
Equity attributable to the Shareholders	**2,420,145**	**1,375,657**	**821,534**
Gearing ratio *(Note)*	170.9%	234.9%	302.6%

Note: Being sum of bank and other borrowings and guaranteed bonds, net of cash and cash equivalents and pledged and restricted bank deposits, divided by the total equity.

As at 31 December 2024, the total assets of the Group amounted to approximately RMB12,975.0 million, which primarily consisted of (a) investment properties of approximately RMB5,609.7 million, which mainly comprised eleven completed properties and three properties under construction. The completed investment properties are leased to third parties and related companies under operating leases; (b) land held for development or sale of approximately RMB3,731.7 million, which mainly represented a freehold land located in Cambodia with a total area of approximately 14.7 square kilometres for the primarily land development business; (c) properties held for sale of approximately RMB1,702.0 million, which mainly represented the development project in Changzhou and certain portion of the Group's shopping mall in Guangzhou which are held by the Group for ultimate transfer to certain indigenous properties owners as compensation and seized by the local government authority until such time when the compensation is settled; and (d) cash and cash equivalents of approximately RMB650.3 million.

For the purpose of Rule 11.1(f) of the Takeovers Code, Vincorn Consulting and Appraisal Limited (the "**Valuer**"), an independent valuer, has valued the property interests of the Group comprising (i) property interests held by the Group for investment in the PRC; (ii) property interests held by the Group for sale in the PRC and Cambodia; (iii) property interests held by the Group for development in the PRC; and (iv) property interests held by the Group for occupation in the PRC (the "**Property Interests**"). According to the Property Valuation Report prepared by the Valuer, the total market value and reference value of the Property Interests in existing state attributable to the Group as at 30 June 2025 was approximately RMB9,257.1 million. For details, please refer to the section headed "Valuation on property interests of the Group and the Reassessed NAV" below. The full text of the Property Valuation Report is set out in Appendix II to the Scheme Document, and the Disinterested Shareholders and the Scheme Shareholders are recommended to read them in full.

With reference to the 2024 Annual Report, the table below sets out the Group's properties as at 31 December 2024, which mainly comprised investment properties and building, warehouses and land under development for sale or held for sale.

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 Shenfei Road, Levels 1 and 2 on Nos. 59, 119, 159, 199, 239 Shenfei Road, and Levels 1 and 2 on Nos. 60, 90, 120, 160, 200 and 240 Shenya Road, Shanghai Wai Gao Qiao Logistics Centre, Pudong New District, Shanghai City, the PRC	Logistics warehouse	Medium term lease	100%
No. 19, Third Avenue, Dongli District, Tianjin City, the PRC	Logistics warehouse	Medium term lease	100%
Metro mall (excluding Units 63 to 65, Basement I) No. 63 Xihu Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC *(Note)*	Shopping mall	Medium term lease	98.9%
Peng Jia Tai Community, Xiazhuang Street, Chengyang District, Qingdao City, Shandong Province, the PRC	Cold chain warehouse	Medium term lease	80%
No. 3 Bencao Avenue South Section, Dongpo District, Meishan City, Sichuan Province, the PRC	Logistics warehouse	Medium term lease	60%
No. 1 Yihao Road, Dongli District, Tianjin City, the PRC	Logistics warehouse	Medium term lease	100%
No. 168 Jin Bin Avenue, Binhai New District, Tianjin City, the PRC	Logistics warehouse	Medium term lease	100%
No. 1 Mojiahu Road, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Horqin 2nd Wei and 7th Jiefang, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
A healthcare property located in Holiday Inn Downtown Beijing, 98 Beilishi Road, Financial Street, Xicheng District, Beijing, the PRC	Healthcare property	Long-term lease	100%

Location	Use	Tenure	Attributable interest of the Group
Investment properties under construction			
Developing warehouses in South of China Railway 19th Bureau, East of Tongliao Hexi Inner Mongolia Autonomous Region Food Reserve, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
A warehouse and various building structures in Qinghe Town, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
Developing warehouses in the West of Jiaoda Avenue and South of Taohe Road, Jiaozhou City, Qingdao, Shandong Province, the PRC	Logistics warehouse	Medium term lease	100%
Building, warehouses and land under development for sale or held for sale			
No. 95 Hairong Road, Binhai New District, Tianjin City, the PRC	Cold chain warehouse	Medium term lease	60%
No. 28 Chuangke Road, Tianning District, Changzhou City, Jiangsu Province, the PRC	Industrial park	Medium term lease	72.48%
256 land parcels located in Kampong Tralach District and Samaki Meanchey District, Kampong Chhnang Province, The Kingdom of Cambodia	Complex	Freehold	60%

Note: The 6th Floor of metro mall was classified as properties held for sale since 31 December 2017.

The Group's accounting policies stated that (a) investment properties, including both completed investment properties and investment properties under construction, are stated at fair value at the end of the reporting period; (b) land held for development or sale is stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period; (c) properties under development for sale are stated at the lower of cost and net realisable value; and (d) properties held for sale are stated at the lower of cost and net realisable value.

As at 31 December 2024, the total liabilities of the Group amounted to approximately RMB10,527.1 million, which primarily consisted of (a) bank and other borrowings of approximately RMB6,598.8 million, among which (1) the bank loans bear interests at floating rates with interests at specified periods' LIBOR or HIBOR or the benchmark lending rate of the People's Bank of China plus a margin and at fixed rates ranging from of 3.0% to 4.32%; and (2) the other borrowings have fixed investment return ranging from 4.06% to 4.32% or bear interest according to the benchmark lending rate of the People's Bank of China plus a margin; (b) guaranteed bonds of approximately RMB1,490.3 million with an interest rate of 5.40% per annum; and (c) deferred tax liabilities of approximately RMB1,297.9 million.

As at 31 December 2024, the Group had equity attributable to the Shareholders of approximately RMB821.5 million and net current assets of approximately RMB1,382.8 million. The Group was in a highly leveraged financial position with a gearing ratio of approximately 302.6% as at 31 December 2024.

(iii) Overall comments

Since 2019, the Group has promoted the disposal of heavy assets while continuously developing the supply chain business. Despite the strategic business transformations pursued by the Group and the expansion of its supply chain business, the Group has recorded consecutive losses attributable to the Shareholders during the three years ended 31 December 2024, primarily attributable to the gross loss position of the supply chain business and the relatively high finance costs. In light of the Group's disposal of heavy assets over the years and the decrease in the average occupancy rates in the Group's commercial, logistics and industrial properties, we expect the Group's revenue will continue to be derived mainly from its supply chain business in the near future. However, in view of the current gross loss position of the supply chain business, the Group's financial performance may still be impacted negatively.

For the three years ended 31 December 2024, the Group recorded finance costs of approximately RMB525.3 million, RMB474.3 million and RMB415.9 million, respectively, while its gross profit was only approximately RMB399.8 million, RMB234.1 million and RMB132.5 million, respectively. As at 31 December 2024, the Group was in a highly leveraged financial position, having total borrowings (including bank and other borrowings and guaranteed bonds) of approximately RMB8,089.1 million. On the other hand, the Group only had cash balance (including cash and cash equivalents and pledged and restricted bank deposits) of approximately RMB682.8 million as at 31 December 2024. The Group's gearing ratio has increased significantly from approximately 170.9% as at 31 December 2022 to approximately 302.6% as at 31 December 2024. Having considered the prevailing market condition and low level of cash on hand available to the Group, the Group is currently under pressure on liquidity.

Taking into account (a) that the Group had been loss-making for years; (b) the gross loss position of the Group's principal business, being the supply chain business; and (c) the financial pressure of the Group, we consider the Group's prospect to be uncertain.

3. Industry overview and outlook

(i) Economic growth and retail sales

Set out below are the growth in gross domestic product ("**GDP**") and consumer goods retail sales of the PRC during the period from 2019 to 2024:

Year on year growth rate	2019	2020	2021	2022	2023	2024
GDP	7.5%	2.9%	13.4%	5.1%	4.9%	4.2%
Consumer goods retail sales	7.8%	(4.1%)	12.2%	(0.4%)	7.0%	3.5%

Source: National Bureau of Statistics of China

As adversely affected by the COVID-19 outbreak since early 2020, the Chinese economic growth decelerated from approximately 7.5% in 2019 to approximately 2.9% in 2020. Due to the recovery of the economy from the low base in 2020, the Chinese GDP grew rapidly at approximately 13.4% in 2021. The Chinese economy then continued to recover at a slower rate of approximately 5.1%, 4.9% and 4.2% in 2022, 2023 and 2024, respectively.

In 2024, the Chinese consumer goods retail sales increased by approximately 3.5%, which represented a downturn in recovery as compared to the growth rate of approximately 7.0% in 2023 and an underperformance as compared to the growth rate of approximately 7.8% in 2019 prior to the COVID-19. Such slowdown in the recovery of consumer goods retail sales in the PRC may adversely impact the leasing demand on the Group's properties.

(ii) Property market

Set out below are the China retail rental index and China logistics rental index during the period from 2019 to 2024:

	2019	2020	2021	2022	2023	2024
China retail rental index	228.6	221.9	226.4	221.8	221.6	219.1
China logistics rental index	142.17	140.35	141.93	142.71	138.75	125.4

Source: CBRE

According to the ''Chinese Real Estate Market Outlook'' (source: https://pdf.savills.asia/selected-international-research/2025-outlook-en.pdf) issued by Savills, one of the world's leading property agents, the average vacancy rate of retail properties across the top ten cities of the PRC was approximately 10.5% in the fourth quarter of 2024. In view of the difficulty for property owners to maintain a balanced tenant mix and attract high-quality new brand, vacancy rates across most cities in the PRC are expected to remain above long-term averages in the short term.

In addition, over the past five years, China's logistics market has seen a significant increase in non-bonded Grade A warehouse supply. Annual supply across 31 major logistics hubs has exceeded 10 million sq.m. each year from 2020 to 2023, with a notable concentration in first-tier cities and surrounding satellite cities. This rapid influx of new supply has led to rising vacancy rates nationwide, forcing landlords to reduce rents to maintain occupancy levels. Cold storage development has also slowed significantly over the past year. The increased demand for fresh food and the decrease in imported food volumes have reduced the demand for cold storage.

Due to the challenging overall environment, weak consumer confidence, fierce competition in the retail market, pressure on retailers' sales performance and the increased supply of logistics warehouses, the retail and logistics rents of the PRC declined over the past few years. As shown in the table above, both of the China retail rental index and the China logistics rental index have generally exhibited a downward trend from 2019 to 2024, indicating that the Chinese retail and logistics properties markets have failed to restore to its pre-pandemic level.

The outlook of the industrial properties is highly dependent on the Chinese manufacturing sector. Since 2023, factors such as geopolitical tensions and U.S. interest rate hikes have accelerated the localisation and shortening of supply chains. Rising labour and land costs, geopolitical risks, and the need for diversified supply chains have led some manufacturers to adopt a "China + N" strategy, reducing investments in China while expanding into other countries to enhance supply chain stability. Such global supply chain shifts shall continue to impose uncertainties and challenges on the Chinese manufacturing sector and thus the industrial properties market.

(iii) Supply chain market

In recent years, there was a structural upgrade in the consumption market in the PRC with catering consumption becoming the core driving force. According to the National Bureau of Statistics of China, the national catering income has increased from approximately RMB588.7 billion in 2019 to approximately RMB972.5 billion in 2023, representing a compound annual growth rate ("**CAGR**") of approximately 13.4% during the period. In addition, the Chinese residents' per capita disposal income has also increased from RMB30,733 in 2019 to RMB41,314 in 2024, representing a CAGR of approximately 6.1% during the period.

Driven by the growing demand from the catering businesses, the enhanced Chinese residents' purchasing power, the increased household consumption due to increasing penetration among individual customers and the ongoing reinforcement of policies for livelihood security and consumption upgrading, the frozen products supply chain industry is expected to further grow in the following years.

(iv) Outlook

The Group is principally engaged in (a) property business, logistics business and industrial business which mainly involve the leasing of commercial properties, logistics properties and industrial properties and the provision of related management services; and (b) supply chain business which mainly involves the trading of frozen products. The slowdown in economic growth and retail sales growth, weak consumer confidence, increased supply of logistics warehouses and the global supply chain shifts have adversely affected the vacancy rates and rent levels of commercial, logistics and industrial properties in the PRC, which in turn affected the Group's revenue derived from its property business, logistics business and industrial business. On the other hand, with the growing catering business and the Chinese residents' purchasing power, the frozen products supply chain industry is expected to further grow in the following years. However, in view of the current gross loss position of the Group's supply chain business, further development of the supply chain business may deteriorate the Group's financial performance. As such, we consider the operating performance of the Group is still uncertain in the near term.

4. Information on the Offeror and the future intention of the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the entire issued share capital of the Offeror is wholly owned by BEREHK. The Offeror has not carried on any business since incorporation other than investment activities and matters in connection with the Proposal and the Scheme.

BE Group is the ultimate controlling shareholder of the Offeror. It is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

It is the intention of the Offeror that, if the Scheme becomes effective, the Company will be delisted from the Stock Exchange and the Group will continue to carry on its current business, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any disposal of assets of the Company, any redeployment of fixed assets of the Group and the continued employment of the employees of the Group) upon the successful delisting of the Company. After completion of the Proposal, the Offeror will continue to consider how to develop the Company in a manner which best enhances value and, in that regard, will consider growing its business as well as market opportunities which will be dependent on a number of factors including market conditions, legal and regulatory requirements and its business needs.

5. Reasons for and benefits of the Proposal

As disclosed in the section headed "2. Financial information of the Group" above, since 2019, the Group has promoted the disposal of heavy assets while continuously developing the supply chain business. Despite the strategic business transformations pursued by the Group and the expansion of its supply chain business, the Group has recorded consecutive losses attributable to the Shareholders during the three years ended 31 December 2024, primarily attributable to the gross loss position of the supply chain business and the relatively high finance costs. For the three years ended 31 December 2024, the Group recorded finance costs of approximately RMB525.3 million, RMB474.3 million and RMB415.9 million, respectively, while gross profit was only approximately RMB399.8 million, RMB234.1 million and RMB132.5 million, respectively. As at 31 December 2024, the Group was in a highly leveraged financial position, having total borrowings (including bank and other borrowings and guaranteed bonds) of approximately RMB8,089.1 million. On the other hand, the Group only had cash balance (including cash and cash equivalents and pledged and restricted bank deposits) of approximately RMB682.8 million as at 31 December 2024. The Group's gearing ratio has increased significantly from approximately 170.9% as at 31 December 2022 to approximately 302.6% as at 31 December 2024. Having considered the prevailing market condition and low level of cash on hand available to the Group, the Group is currently under pressure on liquidity. Although there is no guarantee that the Group's pressure on liquidity would be improved upon effective of the Proposal, taking into account (i) that the Group had been loss-making for years; (ii) the gross loss position of the Group's principal business, being the supply chain business; and (iii) the financial pressure of the Group, we consider the Group's prospect to be uncertain.

The trading liquidity of the Shares has been at a low level over a long period of time. As disclosed in the Scheme Document, the average daily trading volume of the Shares for the last 12 months up to and including the Last Trading Day was approximately 1.33 million, representing only approximately 0.06% of the number of the Disinterested Shares at the Announcement Date. Given the low trading liquidity of the Shares, we concur with the Directors that it is difficult for the Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. Further, due to the very low liquidity of the Shares, the price of the Shares may not fully reflect the intrinsic value of the Company and devalues the investment of the Scheme Shareholders. As such, the Proposal provides an attractive exit opportunity for the Scheme Shareholders to monetise their investments for cash without having to suffer from any illiquidity discount and redeploy the consideration received under the Scheme into other investment opportunities.

It is also noted in the last ten years, a combination of factors has weighed on the capital market in Hong Kong and the Company's share price, including global macroeconomic challenges such as geopolitical tensions, lack of investor confidence, as well as the Chinese property sector crisis, which have caused the Company's share price decrease from HK$0.71 on 30 June 2015 to HK$0.040 on the Last Trading Day. In light of the above, as set out in the Scheme Document, the Proposal allows an exit for the Scheme Shareholders at a compelling premium to the market price of the Shares and enables the Scheme Shareholders to realise their investment in the Company at an attractive premium over the current market price of the Shares. The Cancellation Price of HK$0.140 per Scheme Share represents a significant premium of approximately 250.00% over the closing price of HK$0.040 per Share on the Last Trading Day, approximately 247.39% and 222.09% over the average closing prices of approximately HK$0.040 per Share and HK$0.043 per Share for the last 10 and 30 consecutive trading days up to and including the Last Trading Day, respectively. In addition, the Cancellation Price represents a premium of approximately 9.98% over the audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2024. For our further analysis of the Cancellation Price, please refer to the section headed "7. Cancellation Price" below.

On the other hand, from the Company's perspective, the Company will lose its listing platform and reduces its equity financing capabilities. Nevertheless, we have reviewed the announcements published by the Company and noted that the Company has not carried out any equity fundraising activities from the open market by issuing Shares since 27 September 2018. Due to (i) the long-term underperformance in the prices and trading liquidity of the Shares; (ii) the Group's loss-making position in the past years; and (iii) the challenging and complex external environment, the Company's listing status no longer provides adequate offshore funding support which is unlikely to experience any significant improvement in the foreseeable future. Following the implementation of the Proposal, the Company will be delisted from the Stock Exchange, which is expected to help the Company save the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements. This will facilitate the optimisation of the Company's organisational hierarchy and governance structure, and as a result, improving overall management efficiency. Given the Company has limited ability to raise funds through equity financing, which is one of the main benefits of being publicly listed, while having to continue to incur various costs associated with the maintenance of its listing status, we concur with the Directors that there are limited benefits for the Company to maintain its listing status.

Based on the aforesaid, we consider that the Proposal (i) provides an opportunity for the Scheme Shareholders to dispose of their Shares at a price above the market prices prior to the issue of the Announcement and up to the Latest Practicable Date, without having to suffer any illiquidity discount and settlement risk; (ii) upon its realisation, will allow the Group to focus its resources in formulating long-term growth strategies and executing its strategies more efficiently and effectively as a non-listed state-owned entity, without being subject to regulatory restrictions, compliance obligations, pressure of market expectations and share price fluctuations arising from being a publicly listed company; and (iii) will allow the Group to reduce the costs associated with maintaining a listing platform with limited equity financing capabilities.

6. Valuation on property interests of the Group and the Reassessed NAV

(i) Valuation on property interests of the Group

The Property Valuation Report prepared by the Valuer relating to the valuation of the Property Interests is set out in Appendix II to the Scheme Document. According to the Property Valuation Report, the total market value and reference value of the Property Interests in existing state attributable to the Group as at 30 June 2025 was approximately RMB9,257.1 million (the "**Valuation**").

We have reviewed the Valuer's qualification and experience in conducting valuation. We noted that (a) the Valuer is a one-stop appraisal and consulting service provider. It has provided property valuation services to listed companies including China General Education Group Limited (2175.HK), Wise Living Technology Co., Ltd (2481.HK), Emperor International Holdings Limited (163.HK), Million Cities Holdings Limited (2892.HK), etc.; (b) Mr. Vincent Cheung, who is responsible for the overall project management of the Valuation Report, has more than 28 years of extensive experience in the valuation of fixed and intangible assets; and (c) the Valuer is an independent third party to the Company, the Offeror and their respective associates. Based on the above, we are of the view that the Valuer is qualified to perform the valuation of the Property Interests.

We have reviewed the terms, including the scope of work, of engagement between the Company and the Valuer, which we consider to be appropriate. We noted that the Valuer carried out site inspections of the Property Interests between February and July 2025.

We have reviewed the Property Valuation Report and discussed with the Valuer methodologies of and bases and assumptions adopted for the Valuation and adjustments made to arrive at the Valuation.

The Valuation has been undertaken on the basis of market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. It is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests. As the property interests in the PRC are held under long term land use rights, the Valuer has assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights. As the property interests in Cambodia are held under freehold interests, the Valuer has assumed that the owner has free and uninterrupted rights to use the property interests.

Based on our review of other property valuation reports published by the companies listed on the Stock Exchange, we considered that similar bases and assumptions were commonly adopted in property valuations on the market and that these bases and assumptions were fair and reasonable.

We noted that when valuing the property interests held by the Group for investment in the PRC, for sale in the PRC and Cambodia and for occupation in the PRC, the Valuer has adopted market approach. As advised by the Valuer, market approach is universally considered as the most accepted valuation approach for valuing most forms of property, which involves the analysis of recent market evidence of similar properties to compare with the subject under the valuation. We have obtained and reviewed all comparable transactions identified by the Valuer. Given that there are sufficient comparable transactions and information available for analysis, we consider that the use of market approach is fair and reasonable and is in line with market practice.

We noted that when valuing the property interests held by the Group for development in the PRC, the Valuer has adopted cost approach. Given that (a) the Valuer has identified few comparable transactions for the property interests held by the Group for development in the PRC; (b) the property interests held by the Group for development in the PRC represent warehouses under construction, and there are uncertainties regarding the future development and operation of the properties; and (c) the cost approach generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales, we consider the use of cost approach to be fair and reasonable.

(ii) Reassessed NAV

In evaluating the Proposal, we have taken into account the Group's reassessed net asset value attributable to the Shareholders (the "**Reassessed NAV**"), which is calculated based on the Group's net asset value as at 31 December 2024 and adjusted with reference to the valuation of property interests held by the Group as set out in Appendix II to the Scheme Document.

With reference to the Scheme Document, details of the adjustments are set out in the table below:

	RMB'000
Net asset value of the Group attributable to the Shareholders as at 31 December 2024	821,534
Subtract: net revaluation deficit arising from the valuation of the property interests attributable to the Group as at 30 June 2025 *(Note 1)*	(69,508)
Add: net deferred tax on revaluation deficit attributable to the Group *(Note 2)*	17,377
Reassessed NAV	769,403
Reassessed NAV per Share *(RMB) (Note 3)*	0.110
Reassessed NAV per Share *(HK$) (Note 4)*	0.119

Notes:

1. Represents the net revaluation deficit arising from the difference of the total market value and reference value of the property interests held by the Group in existing state attributable to the Group as at 30 June 2025, as appraised by the Valuer, and their corresponding book values attributable to the Group as at 31 December 2024.

2. Based on the PRC and Cambodia corporate income tax rates of 25% and 20%, respectively.

3. Based on 6,969,331,680 Shares in issue as at the Latest Practicable Date.

4. Based on the exchange rate of HK$1:RMB0.92604.

7. Cancellation Price

The Proposal will be implemented by way of the Scheme. Under the Scheme, the Scheme Shares will be cancelled in exchange for the payment of the Cancellation Price of HK$0.140 in cash for each Scheme Share. In order to assess the fairness and reasonableness of the Cancellation Price, we have considered the following principal factors:

(i) Cancellation Price comparison

The Cancellation Price of HK$0.140 per Scheme Share in cash represents:

(a) a premium of approximately 6.87% over the closing price per Share of HK$0.131 on the Stock Exchange as at the Latest Practicable Date;

(b) a premium of approximately 250.00% over the closing price of HK$0.040 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 253.54% over the average closing price of approximately HK$0.040 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

(d) a premium of approximately 247.39% over the average closing price of approximately HK$0.040 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

(e) a premium of approximately 233.33% over the average closing price of approximately HK$0.042 per Share based on the daily closing prices as quoted on the Stock Exchange for the 20 trading days up to and including the Last Trading Day;

(f) a premium of approximately 222.09% over the average closing price of approximately HK$0.043 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(g) a premium of approximately 200.11% over the average closing price of approximately HK$0.047 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(h) a premium of approximately 183.91% over the average closing price of approximately HK$0.049 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

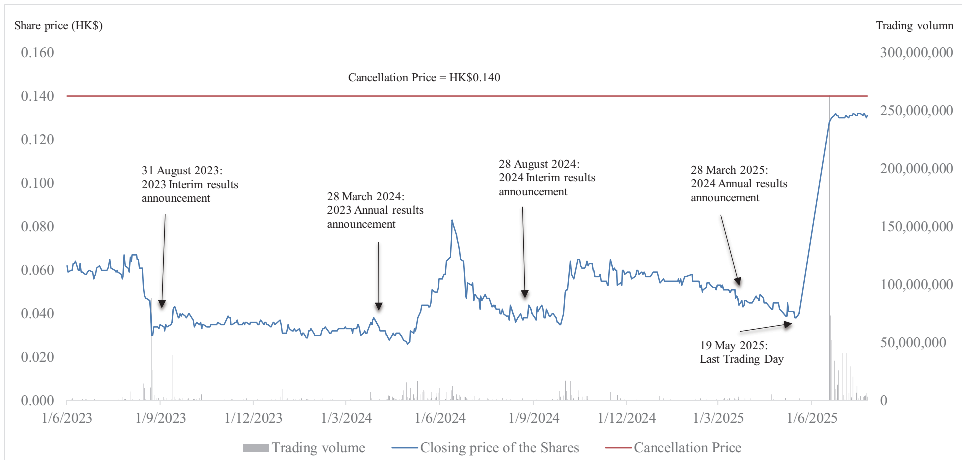
(i) a premium of approximately 9.98% over the audited consolidated net asset value attributable to equity shareholders of the Company per Share of approximately RMB0.118 (equivalent to approximately HK$0.127) as at 31 December 2024 based on RMB to HK$ exchange rate of RMB0.92604 to HK$1 being the exchange rate quoted by the People's Bank of China as at 31 December 2024; and

(j) a premium of approximately 17.43% to the Reassessed NAV per Share of approximately HK$0.119 as set out in Appendix I of the Scheme Document.

(ii) Historical price performance of the Shares

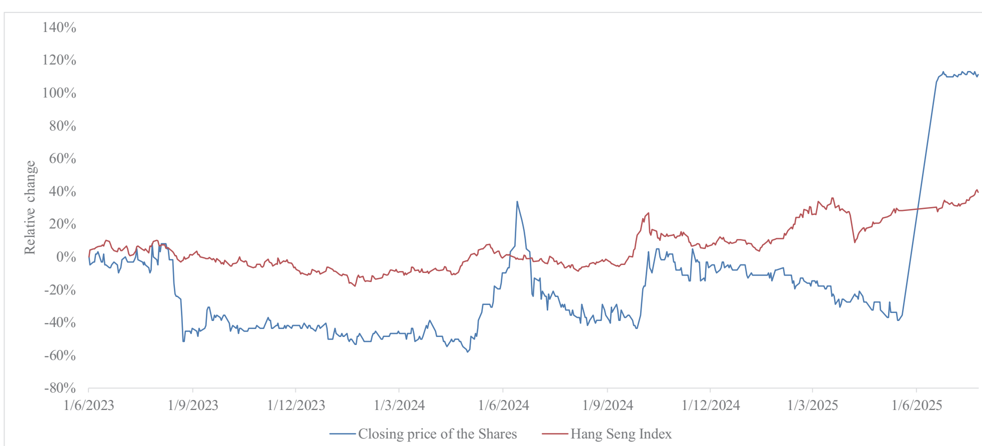
Set out below is the chart showing the movement of the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 1 June 2023 up to the Last Trading Day (the "**Review Period**"), being approximately two years period prior to the Last Trading Day, and the period from the Last Trading Day up to the Latest Practicable Date (the "**Post-Announcement Period**"). We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the general trend and level of movement of the daily closing prices of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing prices of the Shares and the Cancellation Price.

Chart 1: Historical price performance of the Shares during the Review Period and the Post-Announcement Period



Source: the website of the Stock Exchange

Chart 2: Comparison of performance of the Share price with the Hang Seng Index



Source: the website of the Stock Exchange and Bloomberg

As illustrated in the Chart 1 above, the Shares traded at an average of approximately HK$0.046 per Share during the Review Period, with the highest of HK$0.083 per Share on 13 June 2024 and the lowest of HK$0.026 per Share on 30 April 2024. The Cancellation Price represents a premium of approximately 207.37% over the average closing price during the Review Period, and was higher than the closing prices of the Shares during the entire Review Period.

The closing prices of the Shares fluctuated between HK$0.056 per Share and HK$0.067 per Share during the period from 1 June 2023 and 11 August 2023, and then dropped to HK$0.030 per Share on 23 August 2023. During the period from 24 August 2023 to 30 April 2024, the Share price remained stable, fluctuating between HK$0.026 per Share and HK$0.043 per Share. The Share price increased to HK$0.083 per Share on 13 June 2024, but then fell rapidly to HK$0.047 per Share on 27 June 2024. In line with the significant increase in the Hang Seng Index in October 2024, the Share price rose to HK$0.065 on 14 October 2024. Since then, the Share price dropped and closed at HK$0.040 per Share on the Last Trading Day, over which the Cancellation Price represents a premium of approximately 250.00%.

As shown in the Chart 2 above, the Share price generally underperformed the Hang Seng Index during the Review Period, which we consider was mainly due to (a) the Group's unsatisfactory financial performance; and (b) the Group's uncertain prospect amidst the industry downturn. During the Review Period, the Share price decreased by approximately 35.48% while the Hang Seng Index increased by approximately 28.08%.

Subsequent to the publication of the Announcement, the closing price of the Shares surged to HK$0.128 per Share on 18 June 2025. The closing price of the Shares was HK$0.131 per Share as at the Latest Practicable Date, over which the Cancellation Price represents a premium of approximately 6.87%.

The Cancellation Price is higher than the closing prices of the Shares during the entire Review Period, and represents a premium of approximately 207.37% over the average closing price during the Review Period. From the Scheme Shareholders' perspective, the Cancellation Price represents an immediate uplift in the Shareholders' value as compared to the recent Share price. We are of the view that the aforesaid surge in the Share price subsequent to the publication of the Announcement was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK$0.140 per Share. However, the Scheme Shareholders should note that the Shares were still traded below the Cancellation Price as at the Latest Practicable Date and the prevailing Share price may not be sustained if the Scheme is not approved or the Proposal lapses. Considering the Share price generally underperformed the Hang Seng Index during the Review Period, if the Scheme becomes effective and the Proposal is implemented, the Scheme Shareholders would have the opportunity to reinvest the proceeds in other companies to achieve higher returns.

(iii) Historical trading liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of the Shares in issue and held by the public during the period from 1 June 2023 to the Latest Practicable Date:

	Number of trading days	**Approximate average daily trading volume of the Shares**	**Approximate percentage of average daily trading volume to the total number of the Shares in issue** *(Note 1)*	**Approximate percentage of average daily trading volume to the total number of the Shares held by the public** *(Note 2)*
2023				
June	21	593,143	0.0085%	0.0276%
July	20	555,200	0.0080%	0.0258%
August	23	7,728,000	0.1109%	0.3588%
September	19	3,347,000	0.0480%	0.1554%
October	20	739,200	0.0106%	0.0343%
November	22	363,818	0.0052%	0.0169%
December	19	959,263	0.0138%	0.0445%
2024				
January	22	800,273	0.0115%	0.0372%
February	19	403,053	0.0058%	0.0187%
March	20	730,500	0.0105%	0.0339%
April	20	3,020,600	0.0433%	0.1403%
May	21	5,590,667	0.0802%	0.2596%
June	19	3,416,316	0.0490%	0.1586%
July	22	815,909	0.0117%	0.0379%
August	22	451,091	0.0065%	0.0209%
September	19	1,200,526	0.0172%	0.0557%
October	21	3,793,812	0.0544%	0.1762%
November	21	945,333	0.0136%	0.0439%
December	20	239,800	0.0034%	0.0111%
2025				
January	19	460,211	0.0066%	0.0214%
February	20	547,600	0.0079%	0.0254%
March	21	1,014,095	0.0146%	0.0471%
April	19	601,684	0.0086%	0.0279%
May	11 *(Note 1)*	638,727	0.0092%	0.0297%
June	9 *(Note 1)*	57,374,883	0.8232%	2.6642%
From 1 July to the Latest Practicable Date	18	8,678,500	0.1245%	0.4030%

** Less than 0.0001%*

Source: the website of the Stock Exchange

Notes:

1. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly return of the Company. The trading of the Shares suspended from 20 May 2025 to 17 June 2025.

2. Based on the number of the Shares held by the public Shareholders as calculated by deducting the number of Shares held by the Offeror and the Offeror Concert Parties as at the Latest Practicable Date.

As illustrated in the above table, the trading of the Shares was generally inactive during the Review Period. The maximum average daily trading volume of the Shares during the Review Period was approximately 7,728,000 Shares in August 2023, representing approximately 0.1109% of the total issued Shares and approximately 0.3588% of the issued Shares held by the public.

Given the historical thin liquidity of the Shares, it may be difficult for the Scheme Shareholders to dispose of a significant number of the Shares within a short period in the market without exerting downward pressure on the market prices of the Shares. In addition, the higher level of trading volume of the Shares after the publication of the Announcement may not be sustained if the Proposal lapses. As such, we consider that the Proposal represents an opportunity for the Scheme Shareholders, especially those with relatively sizeable shareholdings, to exit at the Cancellation Price which is above the prevailing trading price.

(iv) Comparable companies

The Group is principally engaged in real estate including high-end and modern general warehouse, supply chain development, specialised wholesale market, industrial property, commercial property and primary land development. Price-to-earnings ("**P/E(s)**"), price-to-book ("**P/B(s)**") and price-to-sale ("**P/S(s)**") multiples are the three most commonly used benchmarks in valuing a company. Given that (a) the Group was loss making for FY2024; (b) the Group recorded net assets position as at 31 December 2024 and investment properties and properties held for sale accounted for approximately 56.35% of the Group's total assets as at 31 December 2024; and (c) the Group recorded volatile revenue for the two years ended 31 December 2024, we consider the valuation methodology using P/B is more appropriate in valuing the Group. Based on (a) the Cancellation Price of HK$0.140 per Share; and (b) the Reassessed NAV per Share of approximately HK$0.119, the P/B implied by the Cancellation Price is approximately 1.17 time (the "**Implied P/B**").

In assessing the fairness and reasonableness of the Cancellation Price, we consider that it is relevant to assess the Cancellation Price by making reference to the market valuation of companies listed in Hong Kong which are principally engaged in business similar to that of the Group. We have, based on our exhaustive search on Bloomberg and the website of the Stock Exchange, identified only one comparable company (the "**Supply Chain Comparable Company**") which (a) is principally engaged in the supply chain and trading business in the PRC; (b) has its shares listed and traded on the Main Board of the Stock Exchange; (c) has a market capitalisation below HK$600 million on the Last Trading Day, which is approximately twice the Company's market capitalisation of approximately HK$279 million on the Last Trading Day, in order to strike a balance between identifying sufficient sample size and ensuring comparability; and (d) has a net assets position.

Although only one Supply Chain Comparable Company was identified based on the aforesaid criteria, we consider not relaxing our selection criteria to avoid including companies which are not comparable to the Company in terms of revenue source or market capitalisation. We consider that the Supply Chain Comparable Company is fair and representative for comparison purpose as (a) it generated more than 50% of total revenue from the supply chain and trading business in the PRC, as did the Group; (b) its market capitalisation is generally comparable to that of the Group on the Last Trading Day; and (c) its net assets value is comparable to the Reassessed NAV.

The following table set out the details of the Supply Chain Comparable Company:

Company name (stock code)	**Principal business**	**Market capitalisation on the Last Trading Day** *(HK$ million)*	**Net assets value** *(HK$ million)*	**P/B** *(Note 1)* *(times)*
Heng Tai Consumables Group Limited (197.HK)	(i) The trading of packaged foods, beverages and household consumable products; (ii) the trading of agri-products and the upstream farming business; and (iii) other business arising from the securities brokerage and margin financing business.	30.0	752.5	0.04
	The Company	**278.8**	**769.4** *(Note 2)*	**1.17** *(Note 2)*

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. The Supply Chain Comparable Company's P/B is calculated based on (a) its market capitalisation on the Last Trading Day; and (b) its net asset value attributable to the shareholders as at the end of the latest financial period; and

2. Being the Reassessed NAV and the Implied P/B.

As shown in the table above, the Implied P/B of approximately 1.17 time is higher than that of the Supply Chain Comparable Company.

Although only 22.04% of the Group's total revenue for FY2024 was generated from investment property operating leases, the Group's significant property interests are considered to be similar to and comparable with investment property companies, whose assets also substantially consist of investment properties. We have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the "**Investment Properties Comparable Companies**") which (a) generated more than 50% of total revenue from investment properties business in the PRC; (b) have their shares listed on the Main Board of the Stock Exchange and trading has not been suspended; (c) have a market capitalisation below HK$600 million on the Last Trading Day; and (d) have a net asset position. Based on the aforesaid criteria, we have identified seven Investment Properties Comparable Companies, which represents an exhaustive list.

The following table set out the details of the Investment Properties Comparable Companies:

Company name (stock code)	**Principal business**	**Market capitalisation on the Last Trading Day** *(HK$ million)*	**Net assets value** *(HK$ million)*	**P/B** *(Note 1)* *(times)*
Zhong Hua International Holdings Limited (1064.HK)	Principally engaged in property investment and management businesses in the PRC.	26.9	320.4	0.08
Chinlink International Holdings Limited (997.HK)	Property investment, provision of financial guarantee services and factoring services in the PRC and Hong Kong.	31.6	640.5	0.05

Company name (stock code)	**Principal business**	**Market capitalisation on the Last Trading Day** *(HK$ million)*	**Net assets value** *(HK$ million)*	**P/B** *(Note 1)* *(times)*
Xinji Shaxi Group Co., Ltd. (3603.HK)	Principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generate rental revenue in the PRC.	61.2	1,268.9	0.05
Silver Grant International Holdings Group Limited (171.HK)	Principally engaged in property leasing and investments.	170.6	2,323.6	0.07
Everbright Grand China Assets Limited (3699.HK)	Principally engaged in the businesses of property leasing and the provision of property management services.	176.6	1,071.1	0.16
Chinney Investments, Limited (216.HK)	Mainly engaged in property investment.	336.3	7,765.9	0.04
China Asia Valley Group Limited (63.HK)	Property investment, horticultural services and sale of plants, property management and other related services and construction services.	355.8	490.8	0.72
			Maximum	0.72
			Minimum	0.04
			Average	0.17
			Median	0.07
The Company		**278.8**	**769.4** *(Note 2)*	**1.17** *(Note 2)*

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. For each of the Investment Properties Comparable Companies, its P/B is calculated based on (a) the market capitalisation on the Last Trading Day; and (b) the net asset value attributable to its shareholders as at the end of the latest financial year or period; and

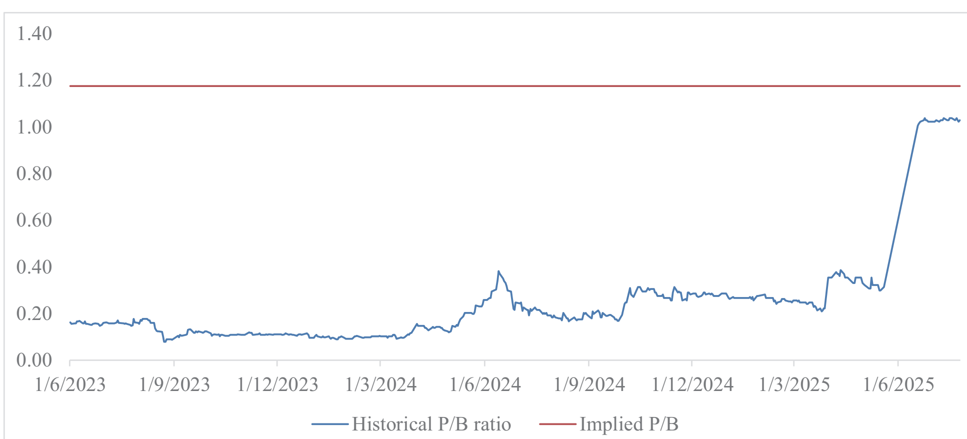
2. Being the Reassessed NAV and the Implied P/B.

As shown in the table above, the Investment Properties Comparable Companies had a range of P/B from approximately 0.04 time to 0.72 time, with an average and a median of approximately 0.17 time and 0.07 time, respectively, on the Last Trading Day. The Implied P/B of approximately 1.17 time is higher than those of the Investment Properties Comparable Companies.

Given that the Implied P/B is higher than those of the Supply Chain Comparable Company and the Investment Properties Comparable Companies (collectively, the "**Comparable Companies**"), which indicates that the valuation of the Company implied by the Cancellation Price is more favourable to the Scheme Shareholders as compared to those of the Comparable Companies, we consider the Cancellation Price to be fair and reasonable as far as the Scheme Shareholders are concerned.

(v) Comparison of the closing prices of the Shares with the NAV per Share

Historical P/B ratio of the Shares



Note: The historical P/B of the Shares were calculated based on the then latest net asset value of the Group as disclosed in the annual reports or interim reports of the Company, and the number of Shares in issue.

The P/B ratio measures the market's valuation of a company relative to its net asset value. As shown in the chart above, the Shares were traded at discounts to the NAV per Share throughout the Review Period. During the Review period, the P/B ratio of the Shares ranged approximately 0.08 time on 23 August 2023 to approximately 0.38 time on 13 June 2024, indicating that the Scheme Shareholders could not realise their investment in the Shares at the entire underlying NAV per Share in the market. Subsequent to the publication of the Announcement, the P/B ratio of the Shares increased to approximately 1.09 times on 18 June 2025 and approximately 1.03 times as at the Latest Practicable Date, which may not be sustained if the Scheme is not approved or the Proposal lapses.

The Implied P/B of approximately 1.17 time is higher than the historical P/B of the Shares during the entire Review Period. Based on the above, we consider that the premium of approximately 17.43% as represented by the Cancellation Price to the Reassessed NAV per Share is fair and reasonable.

(vi) Privatisation precedents

In order to further assess the fairness and reasonableness of the Cancellation Price, we have reviewed successful privatisation precedents of companies listed on the Main Board of the Stock Exchange, which were announced and completed during the Review Period. We have excluded those privatisation precedents that were voted down by the disinterested shareholders. Based on the aforesaid criteria, we have identified an exhaustive list of 29 privatisation precedents (the "**Privatisation Precedents**"). We consider that the Review Period is adequate and appropriate to (a) capture the successful market practice involving privatisation with cash consideration under the prevailing market conditions; and (b) provide a sufficient and reasonable sample for comparison with the Proposal.

Although the issuers involved in the Privatisation Precedents have different market capitalisations as compared to that of the Company, taking into account that (a) the Privatisation Precedents would provide us with the relevant information to demonstrate the pricing of successful privatisation of the Main Board listed companies in Hong Kong; and (b) the Review Period is adequate and appropriate as discussed above, we consider the Privatisation Precedents to be a fair and representative sample which can serve as a useful reference to the market pricings of privatisation proposals in the Hong Kong capital market, so as to determine whether the Cancellation Price is in line with market practices. We consider that the Privatisation Precedents are fair, representative and exhaustive samples for our assessment of the Cancellation Price for illustrative purpose.

The table below illustrates the premiums/discounts of the cancellation/offer prices offered by the Privatisation Precedents over/to the prevailing share prices prior to the last trading day of the Privatisation Precedents as well as the premiums/discounts represented by the cancellation/offer prices over/to the respective reassessed NAV per share:

			Premium of the cancellation/offer price over the average closing price				
Date of initial announcement	Company (stock code)	Premium of the cancellation/ offer price over the closing price on the last trading day *(Notes 1&2)*	for the last 10 trading days up to and including the last trading day *(Notes 1&2)*	for the last 30 trading days up to and including the last trading day *(Notes 1&2)*	for the last 60 trading days up to and including the last trading day *(Notes 1&2)*	for the last 90 trading days up to and including the last trading day *(Notes 1&2)*	Premium/ (discount) of the cancellation/ offer price over/to the reassessed NAV per share
27 December 2024	Vesync Co., Ltd (2148.HK)	33.3%	37.3%	44.4%	36.1%	36.4%	122.3%
19 December 2024	Pentamaster International Limited (1665.HK)	25.0%	53.6%	52.7%	50.2%	51.0%	32.6%
10 December 2024	Fosun Tourism Group (1992.HK)	95.0%	112.7%	111.2%	110.3%	112.5%	(27.4)%
22 November 2024	Ronshine Service Holding Co., Ltd (2207.HK)	15.4%	1.7%	6.3%	1.9%	(6.5)%	(53.5)%
28 October 2024	Beijing Capital Grand Limited (1329.HK)	46.6%	55.1%	41.8%	47.9%	65.4%	(53.8)%
14 October 2024	CM Hi-Tech Cleanroom Limited (2115.HK)	25.0%	26.9%	30.2%	39.7%	41.7%	(3.2)%
2 September 2024	Doyen International Holdings Limited (668.HK)	78.6%	82.3%	81.4%	86.2%	112.9%	(39.3)%
16 July 2024	Samson Holding Ltd. (531.HK)	77.8%	105.4%	150.1%	186.7%	184.5%	(47.1)%
19 June 2024	Asia Standard Hotel Group (292.HK)	52.8%	41.0%	57.1%	71.9%	71.9%	(98.6)%
12 June 2024	A8 New Media Group Limited (800.HK)	162.8%	168.7%	185.7%	185.7%	174.8%	(48.1)%
7 July 2024	Canvest Environmental Protection Group Company Limited (1381.HK)	20.7%	16.9%	20.8%	21.8%	21.8%	21.6%
27 May 2024	Huafa Property Services Group Company Limited (982.HK)	30.6%	40.1%	70.6%	82.4%	88.3%	970.1%
29 April 2024	L'Occitane International S.A. (973.HK)	30.8%	40.6%	49.9%	60.8%	60.5%	598.5%
18 April 2024	Kin Yat Holdings Limited (638.HK)	33.3%	47.3%	51.5%	53.6%	55.9%	(57.4)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600.HK)	33.9%	36.2%	47.5%	47.9%	48.7%	228.4%
9 February 2024	Intellicentrics Global Holdings Ltd. (6819.HK)	20.5%	19.3%	13.6%	11.4%	10.7%	Net liabilities
26 January 2024	Bank of Jinzhou Co., Ltd. (416.HK)	0.0%	(1.0)%	0.3%	15.4%	34.8%	(71.9)%
14 December 2023	Sinosoft Technology Group Limited (1297.HK)	29.4%	31.2%	31.1%	22.5%	15.0%	(78.9)%
4 December 2023	Weiqiao Textile Company Limited (2698.HK)	104.7%	102.7%	111.1%	142.9%	147.5%	(78.3)%
28 November 2023	CIMC Vehicles (Group) Co., Ltd. (1839.HK)	16.5%	21.0%	25.4%	19.1%	15.9%	(6.3)%
20 November 2023	Vinda International Holdings Limited (3331.HK)	20.1%	21.4%	21.3%	25.7%	29.2%	145.2%
6 October 2023	Haitong International Securities Group Limited (665.HK)	114.1%	108.2%	126.5%	122.2%	124.5%	(39.3)%
6 October 2023	Pine Care Group Limited (1989.HK)	(1.1)%	0.9%	1.5%	8.9%	22.9%	(7.9)%
15 September 2023	Lansen Pharmaceutical Holdings Limited (503.HK)	26.8%	22.5%	20.0%	15.4%	20.8%	22.1%
1 September 2023	CST Group Limited (985.HK)	61.3%	21.4%	36.6%	(1.4)%	(14.9)%	(60.7)%
27 June 2023	Dali Foods Group Company Limited (3799.HK)	37.9%	39.4%	30.2%	21.8%	18.7%	151.7%
27 June 2023	Poly Culture Group Corporation Limited (3636.HK)	77.6%	125.2%	133.1%	129.8%	129.0%	(30.9)%
23 June 2023	Yongsheng Advanced Materials Company Limited (3608.HK)	58.7%	61.0%	52.9%	38.5%	34.4%	(46.5)%

Date of initial announcement	Company (stock code)	Premium of the cancellation/ offer price over the closing price on the last trading day *(Notes 1&2)*	Premium of the cancellation/offer price over the average closing price: for the last 10 trading days up to and including the last trading day *(Notes 1&2)*	for the last 30 trading days up to and including the last trading day *(Notes 1&2)*	for the last 60 trading days up to and including the last trading day *(Notes 1&2)*	for the last 90 trading days up to and including the last trading day *(Notes 1&2)*	Premium/ (discount) of the cancellation/ offer price over/to the reassessed NAV per share
11 June 2023	Mason Group Holdings Limited (273.HK)	20.7%	19.4%	19.0%	16.2%	12.7%	(60.1)%
	Maximum	162.8%	168.7%	185.7%	186.7%	184.5%	970.1%
	Minimum	(1.1)%	(1.0)%	0.3%	(1.4)%	(14.9)%	(98.6)%
	Average	46.5%	50.3%	56.0%	57.6%	59.3%	49.4%
	Median	33.3%	39.4%	44.4%	39.7%	41.7%	(35.1)%
19 May 2025	The Company (925.HK)	250.0%	247.4%	222.1%	200.1%	183.9%	17.43%

Source: the website of the Stock Exchange

Notes:

1. Subject to rounding differences.

2. Up to and including the last trading day/unaffected price date of the shares prior to the publication of the first announcement pursuant to Rule 3.5 or Rule 3.7 of the Takeovers Code (where applicable).

The comparison of the cancellation price to market prices and NAV per share, in our view, serves to demonstrate the premium over market prices and the NAV per share in successful privatisations in Hong Kong in the past, i.e. how much the shareholders are being offered and the level of premium/discount that is acceptable to shareholders in terms of historical share price ranges and NAV per share.

As shown in the table above, the premiums represented by the Cancellation Price over the closing price on the Last Trading Day, and over the average closing prices for the last 10, 30 and 60 trading days ("**LTD Premium**", "**10 Days Premium**", "**30 Days Premium**" and "**60 Days Premium**", respectively) are higher than the premiums of the Privatisation Precedents. The premium represented by the Cancellation Price over the average closing prices for the last 90 trading days ("**90 Days Premium**") is close to the high end of the range of premiums of the Privatisation Precedents.

The offer/cancellation prices offered by the Privatisation Precedents ranged from a discount of approximately 98.6% to a premium of approximately 970.1% over the then reassessed NAV per share of the respective companies with a median discount of approximately 35.1%. The premium represented by the Cancellation Price over the Reassessed NAV per share of approximately 17.43% is higher than the median of the Privatisation Precedents. Therefore, we consider that the Cancellation Price is in line with the market practice, and is fair and reasonable.

RECOMMENDATION AND OPINION

In arriving at our recommendation in respect of the Proposal and the Scheme, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- *The Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares for cash at premiums over the closing prices of the Shares prior to the issue of the Announcement and up to the Latest Practicable Date without having to suffer any illiquidity discount*

  The premiums as represented by the Cancellation Price were approximately 250.00%, 247.39%, 222.09%, 200.11% and 183.91% over the closing price on the Last Trading Day, and the average closing prices for the periods of 10, 30, 60 and 90 trading days up to and including the Last Trading Day, respectively.

  Subsequent to the publication of the Announcement, the closing price of the Shares surged to HK$0.128 per Share on 18 June 2025. The Share price closed at HK$0.131 as at the Latest Practicable Date. We consider such price hike is due to the announcement of the Proposal and there is no assurance that the prevailing Share price will remain at the current level if the Proposal lapses.

  The monthly average daily trading volume of the Shares during the Review Period has been thin.

  From the Scheme Shareholders' perspective, in particular those holding large blocks of the Shares, the Proposal will provide a good opportunity for the Scheme Shareholders to realise their holdings at a premium over the prevailing market price, which would not normally be available through the market.

- *The prospects of the Group's business and financial performance*

  Taking into account (i) that the Group had been loss-making for years; (ii) the gross loss position of the Group's principal business, being the supply chain business; and (iii) the financial pressure of the Group with a gearing ratio of approximately 302.6% as at 31 December 2024, we consider the Group's prospect to be uncertain.

- *The Cancellation Price is fair and reasonable*

  For the evaluation of the Cancellation Price, we have taken into consideration of the following:

  (i) the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period;

(ii) the Implied P/B is higher than the P/Bs of the Comparable Companies on the Last Trading Date;

(iii) the Shares were traded at discounts to the underlying NAV per Share during the Review Period. The Implied P/B is higher than the historical P/B of the Shares during the entire Review Period;

(iv) the LTD Premium, 10 Days Premium, 30 Days Premium and 60 Days Premium are higher than the premiums of the Privatisation Precedents. The 90 Days Premium is close to the high end of the range of the premiums of the Privatisation Precedents;

(v) the premium represented by the Cancellation Price to the Reassessed NAV per Share is within the range of the premiums of the Privatisation Precedents, and is higher than the median of the Privatisation Precedents.

Based on the above, we consider that the Proposal and the Scheme (including the Cancellation Price) are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi

Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.