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25 June 2025

*To the Independent Board Committee and the Disinterested Shareholders*

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
DICKSON CONCEPTS (INTERNATIONAL) LIMITED BY THE OFFEROR  
BY WAY OF  
A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
DICKSON CONCEPTS (INTERNATIONAL) LIMITED**

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Proposal. Details of the Proposal are set out in the Scheme Document dated 25 June 2025 of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The Offeror and the Company jointly announced that, on 23 April 2025 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Disinterested Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable so far as the Disinterested Shareholders are concerned; and to give independent advice to the Independent Board Committee as to whether the Disinterested Shareholders should vote in favour of the relevant resolutions to be proposed at the Court Meeting and the SGM to approve and implement the Scheme.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Group. We have reviewed, among other things:

- (i) the Announcement;
- (ii) the Scheme Document;
- (iii) the audited annual reports of the Company for the financial years ended 31 March 2023 (the “2023 Annual Report”) and 31 March 2024 (the “2024 Annual Report”); and
- (iv) the audited annual results announcement of the Company for the financial year ended 31 March 2025 (the “2025 Annual Results Announcement”).

We have assumed that all information, facts, opinions and representations contained in the Scheme Document (including the statement concerning no material change in financial or trading position or outlook of the Group since the date of the latest audited consolidated financial statements of the Group were made up) are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Scheme Document. The Directors have confirmed that they take full responsibility for the accuracy of the information contained in the Scheme Document, and have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Scheme Document have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of all facts as set out in the Scheme Document and of the information and representations provided to us by the Directors and/or the management of the Group. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or the management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We have also relied on information available to the public which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Proposal.

We have not considered the tax and regulatory implications as regards the Proposal and the Scheme since these depend on individual circumstances of relevant persons or entities. In particular, the Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

As at the Latest Practicable Date, Sir Dickson Poon is the 100% controller of DIHPTC (the trustee of the Trusts and the sole shareholder of the Offeror) and the sole director of the Offeror. The sister of Sir Dickson Poon, Madam Penny Poon, is the spouse of the executive chairman and the mother of the two executive directors of The Bank of East Asia, Limited (“BEA”). Madam Penny Poon, together with her spouse and the said two children (collectively, the “Li Family”), on an aggregate basis, directly hold or control (through controlled corporations) approximately 7.28% non-controlling (as “control” is defined in the Takeovers Code) equity interest in BEA. BEA holds 29.9% non-controlling (as “control” is defined in the Takeovers Code) equity interest in the issued share capital in the parent company (“IFA Holdco”) that holds 100% of the issued share capital of the Independent Financial Adviser, and its board is not controlled by members of the Li Family (individually or together with other members). Further, the deputy chief executive and chief investment officer of BEA (who is not connected to nor a “close associate” (as defined under the Listing Rules) of the Li Family) acts as a board member of IFA Holdco (not on the board of the Independent Financial Adviser).

As (i) BEA and the foregoing persons do not control or exert control over the Independent Financial Adviser or the IFA Holdco, individually or together with any other persons (by way of control over any board, effective shareholding or otherwise); (ii) the Independent Financial Adviser and the IFA Holdco had no business dealing (including any circumstances as described under Rule 13.84 of the Listing Rules) with the Offeror, the Company, or any other parties to the Proposal, or their respective substantial shareholder during the past two years; (iii) BEA is not a “close associate” (as defined under the Listing Rules) of the foregoing persons; and (iv) the deputy chief executive and chief investment officer of BEA and BEA are not presumed to be acting in concert with the Offeror under the Takeovers Code despite the Li Family is a presumed concert party of the Offeror, given the remoteness of the indirect relationship between the Offeror and us (in our capacity as the Independent Financial Adviser) as described above, we are considered suitable to give independent advice on the Proposal, and our engagement as Independent Financial Adviser in connection with the Proposal is not reasonably likely to create, or give rise to a perception of, a conflict of interest or which is reasonably likely to affect the objectivity of our advice. Other than the foregoing, we did not have any relationship with, or interest in, the Company, the Offeror, or any other parties to the Proposal, or their respective substantial shareholder(s) or connected person(s) (as defined under the Listing Rules) that could reasonably be regarded as relevant to our independence.

We have not acted as a financial adviser and have not provided any other services to the Company, the Offeror, or any other parties to the Proposal, or their respective substantial shareholder during the past two years. We will receive a fee from the Company for our acting role as the Independent Financial Adviser to the Independent Board Committee in relation to the Proposal. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company, the Offeror or any other parties to the Proposal or their respective substantial shareholder(s) or connected person(s) (as defined under the Listing Rules).

The Independent Board Committee, comprising Mr. Bhanusak Asvaintra, Mr. Nicholas Peter Etches, Mr. Fung Yue Ming, Eugene Michael and Ms. Lam Sze Wan Patricia, has been established to advise the Disinterested Shareholders as to whether the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned, and to make recommendations to the Disinterested Shareholders whether to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the SGM to approve and implement the Scheme.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation with regard to the Proposal, we have taken into account the principal factors and reasons set out below:

### **1. Background of the Proposal**

On 23 April 2025 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

### **2. Summary of the Proposal**

The Proposal will involve the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the following conditions:

**Cancellation Price** : Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled . . . . . HK\$7.20 in cash

- Key terms** : If the Scheme is approved and becomes effective and is implemented:
- (a) all the Scheme Shares held by the Scheme Shareholders will, on the Effective Date, be cancelled in exchange for the payment of the Cancellation Price of HK\$7.20 per Scheme Share to each Scheme Shareholder by the Offeror;
  - (b) contemporaneously with such cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror; and
  - (c) subject to the obtaining of the approval from the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, the listing of the Shares will be withdrawn subject to and after the Scheme becomes effective.

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the listing of the Shares on the Stock Exchange will not be withdrawn; and

- (c) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

**Total consideration** : Assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to and including the Scheme Record Date, the Proposal will involve the cancellation of 152,577,882 Scheme Shares in exchange for the Cancellation Price of HK\$7.20 per Scheme Share, and the maximum cash consideration payable by the Offeror under the Proposal is approximately HK\$1,098,560,751.

The Offeror proposes to finance the cash consideration required under the Proposal by internal resources.

**Conditions of the Proposal** : The implementation of the Proposal is, and the Scheme will only become effective and binding on the Company and all Scheme Shareholders, subject to the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that 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 is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (c) the passing by the Shareholders at the SGM of a special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares and to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance, to the extent necessary, with the applicable procedural requirements and conditions of section 46 of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme), other than such actions, proceedings, suits, investigations or enquiries as would not have material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;

- (g) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory or administrative requirements expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme, in each case up to and as at the Effective Date;
- (h) since the Announcement Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal); and
- (i) all Approvals which are required in connection with the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation.

The Conditions in paragraphs (a) to (e) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraph (f) to (i) (inclusive), to the extent permissible by Applicable Laws, the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. As at the Announcement Date, none of the Conditions have been satisfied or (if applicable) waived.

In respect of Condition (i), as at the Latest Practicable Date, other than the Conditions (a) to (e) (inclusive) as set out above and the approval by the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange, the Offeror is not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal.



### 3. Overview of the Group

#### 3.1 Background and businesses of the Group

The Company was incorporated in Bermuda and its Shares are listed on the Main Board of the Stock Exchange (stock code: 0113). The Company is an investment holding company and the Group is principally engaged in (i) the sale of luxury goods (including watches, jewellery, cosmetics and beauty products, fashion and accessories) through its retail network in Greater China; and (ii) investments in listed and unlisted securities.

#### 3.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group for the financial years ended 31 March 2023 (“FY2023”), 31 March 2024 (“FY2024”) and 31 March 2025 (“FY2025”), as derived from the 2023 Annual Report, the 2024 Annual Report and the 2025 Annual Results Announcement.

##### (a) Financial performance of the Group

#### Highlights of the consolidated profit and loss position of the Group

<i>(HK\$'000)</i>	<b>FY2023</b> <i>(Audited)</i>	<b>FY2024</b> <i>(Audited)</i>	<b>FY2025</b> <i>(Audited)</i>
Revenue	2,130,785	2,400,137	1,921,768
<i>Year-on-year change</i>	<i>5.5%</i>	<i>12.6%</i>	<i>-19.9%</i>
Gross profit	996,112	1,097,911	859,096
<i>Year-on-year change</i>	<i>5.2%</i>	<i>10.2%</i>	<i>-21.8%</i>
Profit before taxation	274,376	355,373	228,770
<i>Year-on-year change</i>	<i>10.8%</i>	<i>29.5%</i>	<i>-35.6%</i>
Profit for the year attributable to equity shareholders of the Company	252,637	350,767	198,012
<i>Year-on-year change</i>	<i>25.7%</i>	<i>38.8%</i>	<i>-43.5%</i>
Net profit margin	11.9%	14.6%	10.3%
Earnings per share (HK cents)	64.1	89.0	50.4
Dividend per share (HK cents)	35.0	45.0	10.0 ( <i>Note</i> )

*Note:* An interim dividend of HK10.0 cents was declared on 28 November 2024 and paid on 21 January 2025. As at the Last Practicable Date, the Company has no declared but unpaid dividends and/or distribution and/or other return capital and the Company does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Effective Date.

As at 31 March 2025, the Group operates a total of 63 stores in its retail network, including 5 stores in Hong Kong, 32 stores in China and 26 stores in Taiwan. Despite Hong Kong having the least number of stores, sales from Hong Kong attributed to approximately 63.0% of the total revenue of the Group in FY2025, significantly exceeding the revenue attributed by sales in China and Taiwan of approximately 7.2% and 29.8% respectively. Despite retail sales turnover in China having increased in FY2025 (by approximately 17.0% compared to FY2024) due to the opening of 4 new stores, the Group's overall sales turnover decreased by approximately 19.9% in FY2025 mainly due to extremely weak market condition in Hong Kong and the closures of (i) Beauty Bazaar The ONE store in December 2023; and (ii) Harvey Nichols Landmark store in March 2024.

#### Revenue breakdown by region

Region	Number of stores as at 31 March 2023	Revenue contribution in FY2023 (%)	Number of stores as at 31 March 2024	Revenue contribution in FY2024 (%)	Number of stores as at 31 March 2025	Revenue contribution in FY2025 (%)
Hong Kong	7	69.7	5	70.2	5	63.0
China	30	4.9	28	5.3	32	7.2
Taiwan	25	25.4	26	24.5	26	29.8
<b>Total:</b>	<b>62</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>

*Source: The 2023 Annual Report, the 2024 Annual Report, the 2025 Annual Results Announcement, management of the Company*

In terms of product mix, the Group derived more than 90.0% of its revenues from the sale of luxury goods in FY2025. Specifically, in FY2025, the Group derived approximately (i) 49.9% of its total revenue from the sale of watches and jewellery; (ii) 18.0% of its total revenue from the sale of cosmetics and beauty products; and (iii) 26.1% of its total revenue from the sale of fashion and accessories. The sale of cosmetics and beauty products and the sale of fashion and accessories recorded a decline in revenue of approximately 52.5% and 16.6% respectively, in FY2025. Such decline was due to the weak retail market sentiment and the closure of Beauty Bazaar The ONE store on 10 December 2023 and Harvey Nichols Landmark store on 31 March 2024. Aside from the sale of luxury products, the Group derived approximately 6.0% of its revenue from its securities investment in FY2025. Despite the investment market remaining volatile during FY2025 as the timing and extent of interest rate reductions remain unclear, the Group managed its investment portfolio (with investments in bonds, equity-linked notes, money market funds and direct investments) cautiously and generated revenue in the amount of approximately HK\$115.6 million for the securities investment business segment of the Group in FY2025, representing a comparable level of revenue for the segment as compared to approximately HK\$114.6 million in FY2024.

### Revenue breakdown by category of products sold and investment income

	FY2023		FY2024		FY2025	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
<b>Revenue from sale of the following category of luxury goods:</b>						
– Watches and jewellery	980,565	46.0	955,336	39.8	958,451	49.9
– Cosmetics and beauty products	546,691	25.7	728,163	30.3	345,583	18.0
– Fashion and accessories	536,995	25.2	602,026	25.1	502,153	26.1
<b>Revenue from securities investment:</b>						
– Dividend income, fair value change and interest income	66,534	3.1	114,612	4.8	115,581	6.0
<b>Total:</b>	<b>2,130,785</b>	<b>100.0</b>	<b>2,400,137</b>	<b>100.0</b>	<b>1,921,768</b>	<b>100.0</b>

*Source: The 2023 Annual Report, the 2024 Annual Report and the 2025 Annual Results Announcement*

#### FY2024 vs FY2023

The Group recorded a slight increase in turnover of approximately 12.6% in FY2024 compared to FY2023 due to an increase in sales of cosmetics and beauty products as well as fashion and accessories, alongside an increase in profit contribution from its securities investment portfolio. However, the Group recorded a drop in revenue from the sale of watches and jewellery, being its largest revenue segment, from approximately HK\$980.6 million in FY2023 to approximately HK\$955.3 million in FY2024. Gross profit recorded amounted to approximately HK\$1,097.9 million in FY2024, representing an approximately 10.2% increase as compared to FY2023. However, the gross profit margin of the Group decreased slightly from approximately 46.7% in FY2023 to approximately 45.7% in FY2024. Profit attributable to shareholders was approximately HK\$350.8 million in FY2024, representing an increase of approximately 38.8% compared to approximately HK\$252.6 million in FY2023. Such increase in net profit was due to the increase in sales turnover coupled with strict control of costs at all levels of the Group's operation.

Together with the interim dividend of HK10 cents in 2024 (2023: HK8 cents) per ordinary share, the Company's total dividend payout was HK45 cents (FY2023: HK35 cents) per ordinary share in FY2024.

## FY2025 vs FY2024

The Group reported an approximately 19.9% decline in turnover in FY2025 compared to FY2024, primarily driven by weak consumer sentiment in Hong Kong and unstable economic conditions. Additionally, shifting spending preferences of Hong Kong consumers (some of whom seeking to capture better value from their spending in other cities and regions such as Shenzhen and Japan), alongside the depreciation of the Japanese Yen, further contributed to the downturn. Gross profit recorded amounted to approximately HK\$859.1 million in FY2025, representing an approximately 21.8% decrease as compared to FY2024 due to the decline in turnover, and the gross profit margin of the Group decreased slightly from approximately 45.7% in FY2024 to approximately 44.7% in FY2025. The Group's profit attributable to shareholders was approximately HK\$198.0 million in FY2025, representing a significant decrease of approximately 43.5% compared to approximately HK\$350.8 million in FY2024. Such decline in net profit and net profit margin was mainly due to the combined effect of (i) decrease in sales turnover of approximately 19.9%; and (ii) a decrease in other income (mainly comprised of the interest income less the foreign exchange loss and net impairment loss on listed debt securities), while the operating expenses have declined by a lesser magnitude of approximately 14.7% only.

The Group only declared an interim dividend of HK10 cents in 2025 (2024: HK10 cents) per ordinary share, which represented the Company's total dividend payout for FY2025 (FY2024: HK45 cents).

### (b) Financial position of the Group

#### Highlights of the consolidated financial position of the Group

(HK\$'000)	As at 31 March		
	2023 (Audited)	2024 (Audited)	2025 (Audited)
Non-current assets	1,714,249	812,820	569,760
Current assets	3,885,715	4,545,605	4,313,977
– Cash and bank balances	3,267,883	3,469,605	3,275,825
– Other financial assets	280,410	654,628	742,019
<b>Total assets</b>	<b>5,599,964</b>	<b>5,358,425</b>	<b>4,883,737</b>
Non-current liabilities	521,260	405,557	260,306
Current liabilities	1,689,610	1,381,132	1,089,620
– Bank borrowings	1,005,553	799,093	605,309
<b>Total liabilities</b>	<b>2,210,870</b>	<b>1,786,689</b>	<b>1,349,926</b>
<b>Total equity attributable to Shareholders of the Company</b>	<b>3,389,094</b>	<b>3,571,736</b>	<b>3,533,811</b>
Gearing ratio (%) (Note 1)	29.67%	22.37%	17.13%

Source: The 2023 Annual Report, the 2024 Annual Report and the 2025 Annual Results Announcement.

Note(s):

(1) Gearing ratio is calculated based on total debt divided by total equity.

#### 31 March 2024 vs 31 March 2023

The Group's non-current assets comprised principally financial assets and property, plant and equipment (including the right to use self-used storage, retail outlets and offices). Its non-current assets had decreased significantly as at 31 March 2024 as compared to 31 March 2023 owing to the revaluation of its securities investments (including unlisted equity and non-equity securities and listed debt securities), as well as reclassification of part of its investment in listed debt securities as current assets in FY2024. The Group's current assets comprised principally cash holdings in the form of cash and cash equivalents and bank balance; and to a lesser extent, listed debt securities measured at amortised cost net of loss allowance. Current assets had increased by close to 17.0% from approximately HK\$3.89 billion as at 31 March 2023 to approximately HK\$4.55 billion as at 31 March 2024 as its cash holdings and financial assets holdings increased.

The Group's net liquid financial resources as at 31 March 2024 stood at approximately HK\$2,670.5 million (2023: HK\$2,262.3 million), represented by cash and bank balances of HK\$3,469.6 million (2023: HK\$3,267.9 million) less short-term bank borrowings of HK\$799.1 million (2023 : HK\$1,005.6 million). The gearing ratio of the Group has improved from approximately 29.67% as at 31 March 2023 to approximately 22.37% as at 31 March 2024, which is mainly due to the decrease in bank borrowings and the slight increase in cash and bank balance.

#### 31 March 2025 vs 31 March 2024

The Group's non-current assets had decreased significantly by approximately 29.9% as at 31 March 2025 as compared to 31 March 2024 owing to the decline in value of right-of-use asset, property, plant and equipment and deposits and prepayments due to the closure of certain retail stores, as well as part of the revaluation and reclassification of certain financial assets. The Group's current assets comprised principally cash holdings in the form of cash and cash equivalents and bank balance. Taking into account an approximately 50.4% decrease in debtors, deposits and prepayments related to a decline in turnover, coupled with a slight decrease in cash and bank balances, the current assets of the Group had decreased by close to 5.1% from approximately HK\$4.55 billion as at 31 March 2024 to HK\$4.31 billion as at 31 March 2025.

The Group's net liquid financial resources as at 31 March 2025 stood at approximately HK\$2,670.5 million (2024 : HK\$2,670.5 million), comprising by cash and bank balances in the amount of approximately HK\$3,275.8 million (2024: HK\$3,469.6 million) less short-term bank borrowings in the amount of approximately HK\$605.3 million (2024 : HK\$799.1 million). Gearing ratio of the Group has improved from approximately 22.37% as at 31 March 2024 to approximately 17.13% as at 31 March 2025, mainly due to a decrease in bank borrowings while maintaining a similar level of cash and bank balance.

#### **4. Information on the Offeror**

The Offeror is a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is a wholly-owned subsidiary of DIHPTC, a trustee of the Trusts, which in turn is wholly-owned by Sir Dickson Poon. The principal business of the Offeror is investment holding. The sole director of the Offeror is Sir Dickson Poon.

## 5. Impact of the Proposal on the shareholding structure of the Company

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal, assuming that there is no other change in shareholding of the Company before the Scheme Record Date:

Shareholders	As at the Latest Practicable Date		Immediately upon the completion of the Proposal	
	Number of Shares	Approximate percentage of total issued share capital (%)	Number of Shares	Approximate percentage of total issued share capital (%)
<b>Offeror and Offeror Concert Parties</b>				
Offeror	–	–	152,577,882	39.52
DIHPTC, Paicolex BVI and Paicolex				
AG (Note 1)	233,464,065	60.47	233,464,065	60.47
Sir Dickson Poon (Note 1)	17,361	0.01	17,361	0.01
Pearson Poon (Note 1)	83,000	0.02	–	–
Other close relatives of Sir Dickson Poon (Note 2)				
Sheila Poon (Note 2a)	4,202,380	1.09	–	–
Poon, Penny (Note 2b)	5,478,753	1.42	–	–
Poon, Kam Wai May (Note 2c)	5,053,397	1.31	–	–
King Wing Keung Walter (Note 2d)	500	0.00	–	–
Poon, Kam Yin Yvonne (Note 2e)	2,125,937	0.55	–	–
Boey John Hoong (also known as				
Mei Jan Hoong) (Note 2f)	208,253	0.05	–	–
Boey Mark Frederick (Note 2g)	21,000	0.01	–	–
Kingray Finance Co. Ltd. (Note 2h)	3,242,107	0.84	–	–
Poon Dee Chu Ying (Note 2i)	12,033	0.00	–	–
Poon Tak Wing Daryl May (Note 2j)	18,000	0.01	–	–
<i>Sub-total of Other close relatives of Sir Dickson Poon</i>				
Sir Dickson Poon	20,362,360	5.27	–	–
DCL (Note 3)	471	0.00	–	–
<b>Sub-total of Offeror and Offeror Concert Parties</b>				
	<b>253,927,257</b>	<b>65.77</b>	<b>386,059,308</b>	<b>100</b>
<b>Disinterested Shareholders</b>				
Disinterested Shareholders	132,132,051	34.23	–	–
<b>Total number of Scheme Shares (Note 4)</b>				
	<b>152,577,882</b>	<b>39.52</b>	<b>–</b>	<b>–</b>
<b>Total number of Shares</b>	<b>386,059,308</b>	<b>100</b>	<b>386,059,308</b>	<b>100</b>

*Notes:*

- (1) As at the Latest Practicable Date, DIHPTC, Paicolex BVI and Paicolex AG are trustees of the Trusts, with DIHPTC interested in 233,464,065 Shares. DIHPTC is the sole shareholder of the Offeror. The founder of the Trusts is Sir Dickson Poon and Pearson Poon (the son of Sir Dickson Poon) is among the eligible beneficiaries of the Trusts. In addition, Sir Dickson Poon and Pearson Poon hold 17,361 Shares and 83,000 Shares, respectively.
- (2) Represents the Shares held by the close relatives of Sir Dickson Poon: (a) Sheila Poon, the mother of Sir Dickson Poon; (b) Poon, Penny, the sister of Sir Dickson Poon, and her controlled companies (namely Super Fortune Ventures Ltd., Twin Profit Holdings Ltd. and Super Eighty Eight Ventures Ltd.); (c) Poon, Kam Wai May, the sister of Sir Dickson Poon, and her controlled company (namely Jumbo Joy Enterprises Ltd.); (d) King Wing Keung Walter, the spouse of Poon, Kam Wai May; (e) Poon, Kam Yin Yvonne, the sister of Sir Dickson Poon, and her controlled company (namely Produce Return Ltd.); (f) Boey John Hoong (also known as Mei Jan Hoong), the spouse of Poon, Kam Yin Yvonne; (g) Boey Mark Frederick, the son of Poon, Kam Yin Yvonne; (h) Kingray Finance Co. Ltd., a company held among the sisters of Sir Dickson Poon, Sir Dickson Poon and their mother; (i) Poon Dee Chu Ying, the daughter of Sir Dickson Poon; and (j) Poon Tak Wing Daryl May, the daughter of Sir Dickson Poon. All of the above are presumed concert parties of the Offeror under the Takeovers Code.
- (3) These Shares represent fractional shares issued pursuant to scrip dividend schemes of the Company in previous years and are held by DCL, a wholly-owned subsidiary of the Company and a presumed concert party of the Offeror under the Takeovers Code, as nominee on behalf of the Company.
- (4) All Shares, other than those Shares held by Sir Dickson Poon, DIHPTC, Paicolex BVI and Paicolex AG, will form part of the Scheme Shares.
- (5) The percentages are subject to rounding adjustments. Percentage figures shown as sub-total or total may not be in arithmetic aggregation of the percentage figures preceding them.

## **6. Reasons for and benefits of the Proposal**

The Proposal is expected to achieve a number of objectives and benefits as set out below:

### ***6.1 For the Company: a proposal to mitigate declining profits and facilitate flexibility in formulating new business and growth strategies which will require significant investments and result in likely initial losses to be incurred in those new businesses***

Consumer sentiment in Hong Kong continues to be weak while major luxury brands continue to rapidly expand their presence in China with a narrowing of price difference between China and Hong Kong. Furthermore, Chinese tourists are staying in Hong Kong for shorter periods and are no longer as focused on shopping as they used to be before the COVID-19 pandemic. Facing with these factors, the Company has implemented a number of strategic changes to adapt to the shifting market dynamics, including closing its Harvey Nichols store at the Landmark and Beauty Bazaar store at The ONE, and its financial performance remain under pressure.

According to the 2025 Annual Results Announcement, the turnover of the Group decreased to approximately HK\$1,921.8 million in FY2025 (representing a decrease by approximately 19.9% as compared to FY2024), mainly due to weak customer sentiment and an unstable economic environment. In addition, based on our discussion with the management of the Company, the Company's current business model can no longer stimulate future growth as

it once did before the COVID-19 pandemic as consumer behaviour have changed in the evolving retail market landscape. This shift is especially disadvantageous for multi-brand retailers like Harvey Nichols in Hong Kong, with many luxury brands having established their own stores in the same malls as Harvey Nichols. Such lack of exclusivity to Harvey Nichols reduces the overall appeal of Harvey Nichols' brands mix and offering. At the same time, post-pandemic shifts in consumer behaviour have further impacted the Group's core business, with Hong Kong consumers preferring to travel to destinations that offer the best value over shopping locally. Mainland China has also extended its instant tax refund policy for foreign visitors from certain selected cities to nationwide (thereby allowing shops in all its cities to apply for offering instant tax refunds). This enables leading luxury brands like Louis Vuitton, Dior, Moncler, etc., to market and sale their products in Mainland China with comparatively lower price than in Hong Kong. All in all, these factors will make Hong Kong (being the most significant revenue generating market for the Group) less attractive as a shopping destination for foreign tourists and is likely to encourage Hong Kong consumers to direct their spending to Mainland China and abroad.

We understand from the management of the Company that the local consumer sentiment has been weak since the recovery from the COVID-19 pandemic, with continued preference of Hong Kong consumers at all income levels to travel and spend abroad, either in Shenzhen where better value, service and variety for entertainment and shopping are offered, or in Japan or Europe where retail prices for luxury goods are significantly cheaper due to weak currencies and tax rebates.

Set out below is our assessment on the retail market in Hong Kong and operating environment of the Group based on (i) the overall retail sales value; and (ii) value of retail sales in department stores before and after the COVID-19 pandemic.

#### **Retail sales value in Hong Kong**

	2018	2019	2020	2021	2022	2023	2024	For the first three months of	
								2024	2025
Total value of retail sales (HK\$ million)	485,169	431,160	326,451	352,948	349,964	406,649	376,847	101,444	94,835
<i>Year-on-year change</i>	8.7%	-11.1%	-24.3%	8.1%	-0.8%	16.2%	-7.3%	-1.3%	-6.5%
Value of retail sales in department stores (HK\$ million)	53,257	46,353	35,939	34,752	31,294	35,176	30,302	7,691	7,046
<i>Year-on-year change</i>	9.5%	-13.0%	-22.5%	-3.3%	-10.0%	12.4%	-13.9%	-6.8%	-8.4%

*Source: Census and Statistics Department*



As shown above, since the COVID-19 pandemic began in 2020, the value of overall retail sales in Hong Kong had experienced a general decline compared to previous years up until 2023 when the pandemic was over in 2023. Despite there being signs of recovery in 2023, from 2023 to 2024, retail sales value declined again from approximately HK\$406,649 million to approximately HK\$376,847 million in 2024, representing a year-on-year decrease of approximately 7.3%. In addition, for the first three months of 2025, retail sales value in Hong Kong amounted to only approximately HK\$94,835 million, representing a year-on-year decrease of approximately 6.5% as compared with the corresponding period in 2024.

During the same period as the above paragraph, the value of retail sales in department stores had observed a similar trend, but the sector appeared to have encountered more challenges, with the following observations: (i) the year-on-year increase in retail sales (of approximately 12.4% from 2022 to 2023) represent a slower recovery as compared with that experienced by the overall retail sales (which recorded the year-on-year increase of approximately 16.2% during the same period); and (ii) the department store sector recorded a more material decline in retail sales (with year-on-year decline of approximately 13.9% from 2023 to 2024, and a decline of approximately 8.4% for the first three months of 2025 as compared with the corresponding period in 2024) as compared to that experienced by the overall retail sector.

Therefore, we concur that the Company expects to see further headwinds affecting its business activities in the foreseeable future.

***6.2 For the Offeror: Seeking to re-shape the Group's businesses under a private environment and offer the Scheme Shareholders an attractive cash premium to exit their investment***

Founded by Sir Dickson Poon in 1980, the Group has played a pioneering role in introducing leading international luxury brands and retail concepts covering a variety of product categories for consumers. Over the decades, the Group has achieved significant growth for the Shareholders and maintained a strong and stable dividend track record. However, with the global retail landscape undergoing fundamental changes, the Group no longer believes that its current business model can sustain and spur future growth. Such changes have resulted in a decline of approximately 19.9% in sales revenue and a decline of approximately 43.5% in net profit in FY2025 as compared to FY2024. In light of this, Sir Dickson Poon, the founder and Chairman of the Group, believes it is imperative to identify and develop new business formats. As mentioned in the Explanatory Memorandum of this Scheme Document, the Company has initiated and continues to pursue acquiring and developing established or new fashion and accessories brands which it considers to have significant growth potential. It is also pursuing appropriate financial investments in sectors unrelated to its current principal activities and scope of business either solely or with partners experienced in those sectors. Such financial investments have focused on cash generative businesses in the non-life insurance, food processing and institutional health care industry. Any such transformation will require significant investments and likely incur material start-up losses. The Offeror considers these strategic shifts are best pursued with more flexibility under a private environment.

Based on our discussion with the management of the Company, to pursue growth, the Group must identify new angles or strategic investments. Thus, the Company has initiated and continues to pursue acquiring and developing established or new fashion and accessories brands which it considers to have significant growth potential. It is also pursuing appropriate financial investments in sectors unrelated to its current principal activities and scope of business either solely or with partners experienced in that sector. These initiatives will inevitably require significant investments, reducing the Company's cash position together with profit dilution. This will ultimately affect the Group's stable dividend history, as losses would be expected at the development stage for any new business initiatives. As at the Latest Practicable Date, the Company has further identified acquisition targets which, however, are at preliminary stages of discussion and no formal agreement has been reached. We are of the view that any such transformation of business will require significant investments and likely incur material start-up losses, which may have a negative impact on the financial position of the Group and therefore affect the performance of the Shares.

Given the current market conditions and the Group's belief that growth and profitability can only be achieved through investment in new initiatives, we are of the view and concur with the management that without the Proposal, it may be unrealistic to expect a continued increase in the Share price to a level close to or above the Cancellation Price in the foreseeable future. As such, the Offeror considers the Proposal, if implemented, will offer Scheme Shareholders a cash premium to exit their investment and also enable the Group to have greater flexibility to make strategic investment decisions.

### ***6.3 For the Scheme Shareholders: an attractive opportunity to monetise their investment in the Company at a price with a compelling premium***

As disclosed in the Explanatory Memorandum of this Scheme Document: (a) the Cancellation Price is higher than the market price over the last 10 years; (b) the Share has been valued at discounts to net asset value ("NAV") per Share consistently; and (c) the luxury retail market in Hong Kong is experiencing a gloomy outlook. The Proposal provides the Scheme Shareholders with an attractive opportunity to realise their investments in the Company despite the poor retail climate.

The Cancellation Price of HK\$7.20 for each Scheme Share represents (i) a premium of approximately 50.63% over the closing price of HK\$4.78 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a premium of approximately 49.69% and 63.64% over the average closing price of approximately HK\$4.81 and HK\$4.40 per Share for 30 trading days and three calendar years up to and including the Last Trading Day, respectively.

To further assess the Cancellation Price, we have analysed the market trading price of the Shares in the section headed "7.1(b) Analysis of Share price".

It is noted that the Share price has not reached the level of the Cancellation Price during the Review Period (as defined below), and per our analysis, the Cancellation Price represents a substantial premium of approximately 88.98% over the average closing prices of the Shares during the Review Period. Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the closing prices of the Shares had remained at levels below the Cancellation Price.

Although the broader equity market, as reflected by the Hang Seng Index, is generally on an upward trajectory since the last quarter of 2024, the price performance of the Shares has been relatively stagnant until the recent increase that we believe may have been associated with the release of the Announcement. Set out below is our assessment of the trend comparison between Hang Seng Index and the Share price since 30 April 2024, being 12 months prior to the Announcement Date.

### Historical Share price of the Company vs. Hang Seng Index



Source: Bloomberg

It is observed that prior to the Announcement Date, the price of the Shares since the last quarter of 2024 has underperformed as compared to the Hang Seng Index. After the Announcement, the closing price of the Shares surged substantially from HK\$4.78 on 29 April 2025 to HK\$6.84 on 30 April 2025, representing a significant increase of 43.1% on a single day. We consider the current trading prices of the Shares to be supported by the existence of the Proposal, and the absence or termination of the Proposal could potentially be a factor leading to an adjustment in the Share price toward levels seen prior to the Announcement Date. Consequently, we concur with management's view that the Proposal provides Scheme Shareholders with a reasonable opportunity to divest their Shares at a premium over the prevailing market price.

In terms of trading volume, it is mentioned in the Explanatory Memorandum of this Scheme Document that the trading liquidity of the Shares has remained at a low level over an extended period of time. The average daily trading volume starting from 2011 up to and including the Last Trading Day ranged from 36,115 to 434,024 Shares, representing only approximately 0.01% to 0.11% of the total number of issued Shares as at the Last Trading Day. Given the limited active Shares being traded in the market, this has limited the Company's ability to conduct effective on-market Share buybacks. As mentioned in the Explanatory Memorandum of this Scheme Document, the ultimate beneficial owner of the Offeror has consistently demonstrated support for the Company through Share acquisitions, with 43,368,930 Shares acquired from 2012 to 2014 and 2016 to 2019, while the Company has undertaken Share buybacks using its surplus cash to enhance the Shareholders' value, with 35,930,328 Shares repurchased from 2015 to 2016, 2018 to 2019 and 2024 to 2025. The support brought by these Share acquisitions and Share buybacks to the Share price was limited and short-lived. The Shares closed 4.7% lower up to 7.0% higher on the immediate next day after such Share acquisitions and Share buybacks. Further, the low trading liquidity of the Shares has made it difficult for Shareholders to exit their investments without negatively impacting the Share price. The Board also considers that the Company's ability to raise capital through the equity capital markets is limited. Per our analysis on the trading liquidity of the Shares as discussed in the section headed "7.1 (c) Analysis on trading volume of the Shares", we note that the trading activities in Shares were generally illiquid and the Scheme Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of Shares on the market may result in downward pressure on the market price of Shares. In this respect, we concur that the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Company with the certainty of return. We noticed a substantial increase in trading liquidity for a couple of days before and after the Announcement. Considering the average daily trading volume starting from 30 April 2025 to the Latest Practicable Date ranged from 12,500 to 2,776,150 Shares, representing approximately 0.00% to 0.72% of the total number of issued Shares as at the Latest Practicable Date, we believe such relatively high volume was similarly triggered by presence of the Proposal and may not be sustainable in the absence of the Proposal.

We have further assessed the price of the Shares relative to the NAV per Share by reviewing the historic price-to-book ratio, being calculated by dividing the closing prices of the Shares by the book value of equity per share during the period commencing from 30 April 2015 (approximately 10 years prior to the Last Trading Day) to the Last Trading Day.

### Historical price-to-book ratio of the Company



Source: Bloomberg

As illustrated in the graph above, we noted that the price-to-book ratio of the Company has consistently remained below 1 for the past 10 years, which implies that the Shares has been trading below its NAV. We therefore consider the market has persistently valued the Company below its NAV and the Cancellation Price offers an opportunity for the Scheme Shareholders to realise their investments in the Company at a price higher than what the market generally offers.

In light of the above, and (i) given that the Company's financial performance has remained under pressure and the retail market sentiment is expected to remain weak in the near term due to various macroeconomic factors; (ii) in light of the uncertainties associated with the Company's transformation involving execution risk and the associated benefits requiring a longer time to realise; and (iii) given that the Shares have been valued at discounts to NAV per Share consistently, the Scheme provides an opportunity for the Scheme Shareholders to monetize their Shares at a premium over the current market price of the Company with certainty of return, we are of the view that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned and in the interest of the Company and Disinterested Shareholders as a whole.

## **7. Basis of Determination of the Cancellation Price**

### **7.1 Share price and trading liquidity analysis of the Company**

#### *(a) Comparison of value*

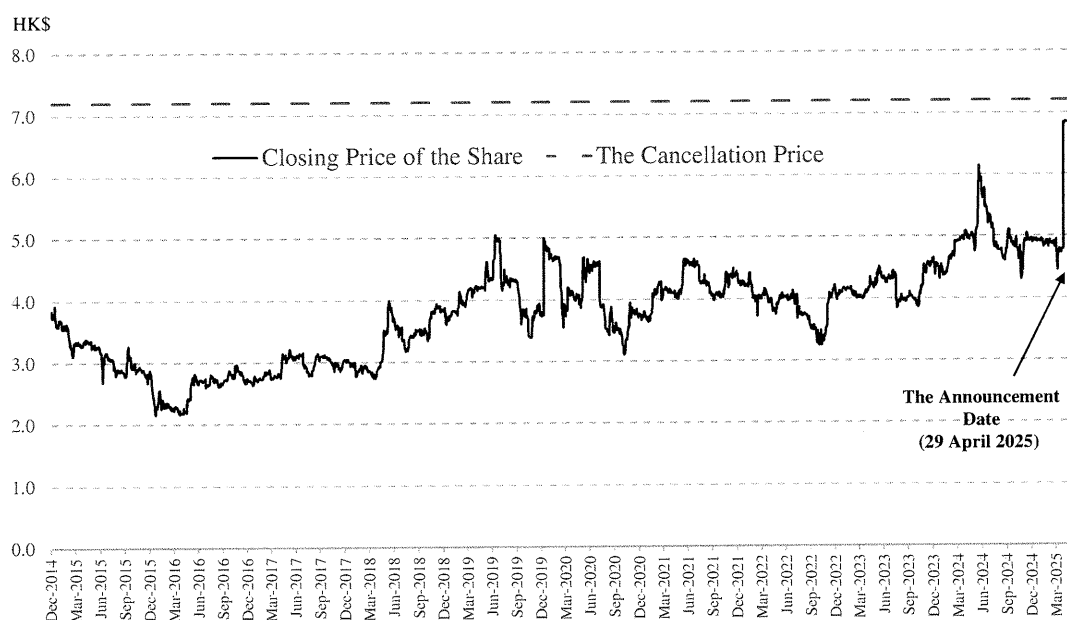
The Cancellation Price of HK\$7.20 per Scheme Share represents:

- a premium of approximately 50.63% over the closing price of HK\$4.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 51.58% over the average closing price of HK\$4.75 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 52.22% over the average closing price of HK\$4.73 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 49.69% over the average closing price of HK\$4.81 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 48.45% over the average closing price of HK\$4.85 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 48.76% over the average closing price of HK\$4.84 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 63.64% over the average closing price of HK\$4.40 per Share as quoted on the Stock Exchange for the three calendar years up to and including the Last Trading Day;
- a premium of approximately 4.96% over the closing price of HK\$6.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 21.31% to the audited consolidated net asset value attributable to Shareholders per Share (based on the total number of Shares as at 31 March 2025) of approximately HK\$9.15 as at 31 March 2025.

(b) Analysis of Share price

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Bloomberg during the period commencing from 31 December 2014 (which is 10 years prior to the Last Trading Day) to the Last Trading Day (the “Pre-Announcement Period”), and subsequently up to and including the Latest Practicable Date (the “Post-Announcement Period”) (collectively, the “Review Period”). We consider a period of approximately ten years is adequate and representative to illustrate the price movements of the Shares which reflect (i) market and investors’ reaction towards the developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Cancellation Price.

**Historical Share price of the Company**



Source: Bloomberg

During the Review Period, we note that the closing prices of Shares ranged from HK\$2.15 to HK\$6.92, with an average closing price of approximately HK\$3.81. The Cancellation Price of HK\$7.20 is higher than the range of the lowest and highest closing price of the Shares quoted on the Stock Exchange during the Review Period, and represented a premium of approximately 234.88% over the lowest closing price of HK\$2.15 recorded on 21 January 2016, and a premium of approximately 4.05% over the highest closing price of HK\$6.92 recorded on 30 May 2025. Moreover, the Cancellation Price represents a premium of approximately 88.98% over the average closing price of approximately HK\$3.81.

As illustrated in the graph above, the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period. During the Pre-Announcement Period, the Cancellation Price represents substantial premiums ranging from approximately 4.05% to 234.88% over the closing prices of the Shares. We note that, in general, the closing prices of the Shares showed a gradual increasing trend during the Pre-Announcement Period (i.e. from 31 December 2014 to 29 April 2025). In addition, the closing prices during the Review Period have never reached the Cancellation Price and the Cancellation Price represents a substantial premium over the closing prices during the Review Period.

During the Post-Announcement Period, and when the trading of the Shares resumed at 9:00 a.m. on 30 April 2025 following the publication of the Announcement in relation to the Proposal, the Share closing price increased to levels close to the Cancellation Price. As at the Latest Practicable Date, the Share price closed at HK\$6.86 per Share. We are of the view that the current Share prices are underpinned by the presence of the Proposal and the absence or lapse of the Proposal may cause the price of the Shares to retreat to levels before the Announcement.

Overall, considering the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period, and that it represents a substantial premium of approximately 88.98% over the average of closing prices of the Shares during the Review Period, we are of the view that the Cancellation Price is fair and reasonable from the point of view of the historical trading price of the Shares.



(c) *Analysis on trading volume of the Shares*

With view to focusing on assessing the liquidity of the Shares under recent market conditions, an analysis on the trading volume of the Shares since January 2024 (as opposed to the Review Period of 10 years) is set out as below.

**Trading volume analysis**

	<b>Average daily trading volume</b>	<b>Approximate % of average daily trading volume to the total number of issued Shares</b>	<b>Approximate % of average daily trading volume to the total number of Disinterested Scheme Shares</b>
<b>2024</b>			
January	38,701	0.01	0.03
February	74,983	0.02	0.06
March	35,800	0.01	0.03
April	36,925	0.01	0.03
May	32,758	0.01	0.02
June	137,206	0.04	0.10
July	88,648	0.02	0.07
August	54,283	0.01	0.04
September	52,742	0.01	0.04
October	226,238	0.06	0.17
November	136,576	0.04	0.10
December	130,712	0.03	0.10
<b>2025</b>			
January	306,400	0.08	0.23
February	177,525	0.05	0.13
March	147,845	0.04	0.11
April	193,587	0.05	0.15
May	484,229	0.13	0.37
June ( <i>Note 1</i> )	272,426	0.07	0.21

*Source: The Stock Exchange and Bloomberg*

*Note:*

(1) Up to the Latest Practicable Date

As shown in the table above, we are of the view that the liquidity of the Shares was generally low with the average daily trading volumes ranging between 0.01% and 0.13% of the total issued shares of the Company while the average daily trading volumes ranging between 0.02% and 0.37% of the total number of Disinterested Scheme Shares during the period from 1 January 2024 to the Latest Practicable Date.

Over the period of 360 trading days reviewed since 1 January 2024, daily trading volumes only exceeded 1% of the total number of Disinterested Scheme Shares in only 6 trading days were above 1%. Therefore, it is our view that the Shares cannot be regarded as having been actively traded, whilst the Proposal provides an exit opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price.

## **7.2 Analysis on comparable companies**

As discussed in the section headed “3.2 Financial Information of the Group”, the Group’s revenue from sale of luxury goods (including watches and jewellery, cosmetics and beauty products and fashion and accessories), accounted for more than 90% of its revenue in FY2025.

Therefore, in order to assess the fairness and reasonableness of the Cancellation Price, we have attempted to identify the appropriate comparable companies (the “Comparable Companies”) which are principally engaged in businesses similar to the Group, namely those engaged in the retail sale of watches and jewellery, cosmetics and beauty products and fashion and accessories. Given that the Group conducts its retail businesses in the form of operating department stores, we have also included the operator of department stores in our analysis below.

In addition, we have also taken into consideration that the Group derived approximately 63.0% of its revenue from sales in Hong Kong in FY2025 and its scale. Accordingly, in order to provide an extended assessment that covers each major product segments of the Company, we have selected the Comparable Companies, comprising eight companies that (i) are principally engaged in sale of watches and jewellery, cosmetics and beauty products, fashion and accessories, and which operate department stores; (ii) derived more than 50% of the retail revenue from Hong Kong; (iii) had market capitalisation of below HK\$4,000 million as at the Last Trading Day; and (iv) recorded minimum revenue of HK\$100 million in the latest financial year or trailing twelve months (based on published interim reports and annual reports). In respect of (iii) and (iv), we have set the relevant thresholds with a view to providing reasonably sufficient samples overall and to at least identify one company that is engaged in the retail of each product category offered by the Group for a comprehensive comparison. We consider that the Comparable Companies, despite their products being different, share similar industry risks as they are all subject to the influence of the retail market sentiment in Hong Kong and therefore it is appropriate to be put into one analysis.

The Comparable Companies have been selected exhaustively based on the above criteria, with reasonably sufficient samples for comparison purposes identified, to the best of our endeavors, in our research through the public information.

Although we consider all the Comparable Companies to be engaged in retail related business, to facilitate understanding of the general business nature or product focus of each of the Comparable Companies, we have classified the Comparable Companies into four categories, namely (i) companies principally engaged in the retail of watches and jewellery (“Watches and Jewellery Company”); (ii) companies principally engaged in the retail of cosmetics and beauty products (“Cosmetic and Beauty Product Company”); (iii) companies principally engaged in the retail of fashion and accessories (“Fashion and Accessories Company”); and (iv) companies principally engaged in the operation of department stores (“Department Stores Operator”).

In our assessment, we have considered the price-to-sales ratio (the “PSR”), the price-to-earnings ratio (the “PER”) and the price-to-book ratio (the “PBR”) which are commonly used as benchmarks in valuing businesses. For reference purpose, in addition to set out the average, adjusted average and median of all the Comparable Companies on an overall basis, we have also set out the average and median for each category of the Comparable Companies.

#### Comparable Companies listed on the Main Board of the Stock Exchange

Company	Stock code	Major store brand(s)	Market capitalisation on the Last Trading Day (HK\$ million)	Revenue (HK\$ million)	PSR (times)	PER (times)	PBR (times)
<b>Watches and Jewellery Company</b>							
King Fook Holdings Limited (Note 2a)	280	Masterpiece, King Fook	318.3	799.0	0.40	4.05	0.41
Emperor Watch & Jewellery Limited (Note 1)	887	Emperor Jewellery	1,502.1	5,230.3	0.29	5.85	0.29
				Average	0.35	4.95	0.35
				Median	0.35	4.95	0.35
<b>Cosmetics and Beauty Products Company</b>							
Sa Sa International Holdings Limited (Note 2b)	178	Sa Sa	1,830.9	3,941.7	0.46	23.79	1.58
Veeko International Holdings Limited (Note 2a) (Note 3)	1173	Veeko, Wanko, Colourmix, Morimor	63.0	544.3	0.12	Loss-making	0.40
				Average	0.29	23.79	0.99
				Median	0.29	23.79	0.99

Company	Stock code	Major store brand(s)	Market capitalisation on the Last Trading Day		Revenue (HK\$ million)	PSR (times)	PER (times)	PBR (times)
			Day	Trading				
<b><u>Fashion and Accessories Company</u></b>								
Bauhaus International (Holdings) Limited (Note 2a)	483	Bauhaus, Salad, Tough	60.6		188.7	0.32	Loss-making	0.38
					Average	0.32	N/A	0.38
					Median	0.32	N/A	0.38
<b><u>Department Stores Operator</u></b>								
The Sincere Company, Limited ("Sincere Company") (Note 1)	244	Sincere Department Store	304.8		131.3	2.32	Loss-making	6.54 (Note 4)
Henderson Investment Limited (Note 1)	97	Citistore, UNY, Apita	362.6		1,535.0	0.24	Loss-making	0.34
Wing On Company International Limited (Note 1)	289	Wing On	3,274.7		946.2	3.46 (Note 4)	Loss-making	0.19
					Average	2.01	N/A	2.36
					Median	2.32	N/A	0.34
<b>Overall</b>					<b>Maximum</b>	<b>3.46</b>	<b>23.79</b>	<b>6.54</b>
					<b>Minimum</b>	<b>0.12</b>	<b>4.05</b>	<b>0.19</b>
					<b>Median</b>	<b>0.36</b>	<b>5.85</b>	<b>0.39</b>
					<b>Average</b>	<b>0.95</b>	<b>11.23</b>	<b>1.27</b>
					<b>Adjusted average</b> (Note 4)	<b>0.59</b>	<b>N/A</b>	<b>0.51</b>
<b>The Company/the Cancellation Price</b>			<b>2,779.6</b> (Note 5)		<b>1,921.8</b>	<b>1.45</b> (Note 6)	<b>14.0</b> (Note 6)	<b>0.79</b> (Note 6)

Source: Bloomberg, the Stock Exchange, interim reports, annual reports and annual results announcements of the companies

Notes:

- (1) The financial year end of the company is on 31 December, PSR, PER and PBR of the company is calculated by dividing its market capitalisation on the Last Trading Day by the revenue, net profit and equity attributable to shareholders respectively as disclosed in its annual report for the financial year ended 31 December 2024.

- (2) (a) The financial year end of the company is on 31 March and its annual result for FY2025 has not been released yet prior to the Latest Practicable Date. PSR and PER of the company is calculated by dividing its market capitalisation on the Last Trading Day by the revenue and net profit attributable to shareholders respectively for the trailing twelve months ended 30 September 2024 as derived based on its interim report for the six months ended 30 September 2024 and annual report for FY2024. PBR of the company is calculated by dividing its market capitalisation on the Last Trading Day by equity attributable to shareholders as disclosed in its interim report for the six months ended 30 September 2024.
- (b) The financial year end of the company is on 31 March. PSR, PER and PBR of the company is calculated by dividing its market capitalisation on the Last Trading Day by the revenue, net profit and equity attributable to shareholders as disclosed in its annual results announcement for FY2025.
- (3) Veeko International Holdings Limited is engaged in the retail of both (i) cosmetics and beauty products; and (ii) fashion and accessories. Since the revenue contribution by its cosmetics and beauty products segment was higher, we have categorised it as a retailer of cosmetics and beauty products accordingly.
- (4) The outliers (i.e. being the highest values in the PSR and the PBR, which are more than 2 standard deviations above the average) are excluded in deriving the adjusted average for an additional analysis since they appear to be abnormal and may skew the average substantially and impact its meaningfulness. In particular, it has come to our attention that the PBR of Sincere Company of 6.54 times significantly exceeds the PBRs of other companies due to its thin asset base relative to its accumulated loss and has substantially driven up its PBR. However, we did not exclude the lowest values given that the lowest values are all within 2 standard deviations from the average.
- (5) Market capitalisation of the Company is calculated based on the Cancellation Price per Scheme Share of HK\$7.20, multiplied by 386,059,308 Shares.
- (6) Based on the 2025 Annual Results Announcement.

The PSR implied by the Cancellation Price is 1.45 times, which is above the median and average PSR of each of the four categories of the Comparable Companies, except for the Department Stores Operator category.

The PER implied by the Cancellation Price is 14.0 times, which is above the median and average PER of each of the four categories of the Comparable Companies, except for the Cosmetic and Beauty Products Company category.

The PBR implied by the Cancellation Price is 0.79 times, which is above the median and average PBR of the Watches and Jewellery Company and the Fashion and Accessories Company categories.

We note that (i) the PSR implied by the Cancellation Price is below the average and median PSR of the Department Stores Operator category; (ii) the PER implied by the Cancellation Price is below the average and median of the Cosmetic and Beauty Products Company category; and (iii) the PBR implied by the Cancellation Price is below the average and median of the Cosmetic and Beauty Products Company category and the average of the Department Stores Operator category. Generally, these situations that occur in each category are caused by a lack of sufficient samples (e.g. just one company) on a standalone basis or distortion caused by outliers (e.g. the PBR of Sincere Company of 6.54 times). Due to such issues, analysis on each category on a standalone basis may not be as meaningful, especially for those categories with majority of Comparable Companies that are in loss-making position.

In order to address the aforesaid issues and provide a more meaningful assessment, we have specifically looked at the overall median, average and adjusted average of the PSR, PER and PBR of all the Comparable Companies, and compare those against the PSR, PER and PBR implied by the Cancellation Price.

	<b>PSR</b> <i>(times)</i>	<b>PER</b> <i>(times)</i>	<b>PBR</b> <i>(times)</i>
The Comparable Companies (overall)			
Median	0.36	5.85	0.39
Average	0.95	11.23	1.27
Adjusted average	0.59	N/A	0.51
The Company/the Cancellation Price	<b>1.45</b>	<b>14.0</b>	<b>0.79</b>

Despite the PBR implied by the Cancellation Price is below the average PBR of all the Comparable Companies, which is basically driven up by the PBR of Sincere Company of 6.54 times, it is observed that the PSR and PBR implied by the Cancellation Price are still above the median and adjusted average of the PSR and PBR of all the Comparable Companies in overall. Given majority of the Comparable Companies are in loss-making position and there are insufficient data to calculate the adjusted PER even for all the Comparable Companies, we have compared the PER implied by the Cancellation Price of 14.0 times to the overall average PER of 11.23 times and considered it as still fair and reasonable.

In light of the above, we consider that the Cancellation Price is fair and reasonable based on our analysis on the Comparable Companies.

### **7.3 Analysis on precedent transactions**

We have also compared the Proposal to successful privatisation proposals (the “**Privatisation Precedents**”) of companies listed on the Main Board of Stock Exchange by way of scheme of arrangement with scheme documents despatched since 30 April 2024 (being approximately one calendar year prior to the Announcement Date) up to the Latest Practicable Date, which represents an exhaustive list of the Privatisation Precedents we were able to identify in connection with companies previously listed on the Stock Exchange. Given (i) the change in market and regulatory conditions may impact the cancellation price in a privatisation proposal thus the privatisation transactions which were not occur recently may not be as relevant; and (ii) we consider there are sufficient samples from 30 April 2024 to the Latest Practicable Date, we consider it as appropriate to review the Privatisation Precedents from 30 April 2024 to the Latest Practicable Date as opposed to the Review Period of 10 years. Set out below are the Privatisation Precedents.

## The Privatisation Precedents

Date of scheme document	Company name	Principal business	Stock code	Premium/(discount) represented by cancellation price over/(to) the share price on/average share price for					Premium/(discount) represented by cancellation price over/to NAV
				Last full trading day <i>(Note 1)</i>	Last 5 trading days <i>(Note 1)</i>	Last 10 trading days <i>(Note 1)</i>	Last 30 trading days <i>(Note 1)</i>	Last 60 trading days <i>(Note 1)</i>	
24 May 2024	SciClone Pharmaceuticals (Holdings) Limited	Developing and commercializing a portfolio of marketed products as well as pipeline with potential	6600	33.90%	36.03%	36.30%*	47.47%	47.93%	228.35%
28 June 2024	Kin Yat Holdings Limited	(i) Development and production of electrical and electronic products as well as a provider of electric motor drives and related products under its own house brand; and (ii) real estate development businesses	638	33.30%	43.40%	47.30%*	51.50%	53.60%	-63.10%
19 July 2024	Huafa Property Services Group Company Limited (“Huafa Property Services”)	Property management services, hotel advisory and exhibition services	982	30.63%	36.79%	40.10%	70.59%	82.40%*	970.11% <i>(Note 2)</i>
29 July 2024	A8 New Media Group Limited	(i) Cultural business which mainly includes online literature and film and television production; and (ii) property investment	800	162.77% <i>(Note 2)</i>	158.99% <i>(Note 2)</i>	168.66% <i>(Note 2)</i>	185.71% <i>(Note 2)</i>	185.70%*	-41.37%
29 August 2024	Asia Standard Hotel Group Limited	(i) Holding and operating hotels in Hong Kong; and (ii) property development in Canada	292	52.78%	48.60%*	41.03%	57.14%	71.90%*	-98.25% <i>(Note 2)</i>
04 October 2024	Samson Holding Ltd.	Manufacturing and sale of furniture, trading of furniture and procurement services	531	77.78%	86.77%	105.39%	150.09%	186.74% <i>(Note 2)</i>	-40.28%
19 November 2024	CM Hi-Tech Cleanroom Limited	Provision of cleanroom wall and ceiling systems and cleanroom equipment primarily in the PRC, Malaysia and Philippines	2115	25.00%	23.80%	26.90%	30.20%	39.70%	-4.80%

Date of scheme document	Company name	Principal business	Stock code	Premium/(discount) represented by cancellation price over/(to) the share price on/average share price for					Premium/(discount) represented by cancellation price over/to NAV
				Last full trading day (Note 1)	Last 5 trading days (Note 1)	Last 10 trading days (Note 1)	Last 30 trading days (Note 1)	Last 60 trading days (Note 1)	
16 December 2024	Beijing Capital Grand Limited	Commercial property development and management, with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the PRC	1329	46.55%	54.55%	55.11%	41.75%	47.85%	-52.87%
20 December 2024	Doyen International Holdings Limited	(i) Investment property holding in the PRC; (ii) provision of financing to customers in the PRC and Hong Kong; (iii) investment holding; (iv) sales of flowers and plants; and (v) distressed assets management	668	78.57%	81.35%	82.29%	81.35%	86.17%	-39.55%
23 January 2025	Ronshine Service Holding Co., Ltd	Provision of (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services	2207	15.38%	9.09%	1.69%	-6.25%	2.10%*	-53.49%
05 February 2025	Pentamaster International Limited	(i) Designing, development and manufacturing of standard and non-standard automated test equipment; (ii) designing, development and installation of integrated factory automation solutions; and (iii) manufacturing and assembling of medical machines and manufacturing of die casting parts	1665	25.00%	49.30%*	53.60%	52.70%	50.20%	39.60%
10 February 2025	Fosun Tourism Group	Provision of tourism and leisure solutions including tourism and hotel operation and other related service, property sales and construction service	1992	95.00%	112.07%	112.70%*	111.19%	110.30%	247.63%
10 February 2025	Get Nice Financial Group Limited	Provision of financial services in Hong Kong	1469	39.50%	40.91%	40.38%	41.62%	51.19%*	-42.63%



Date of scheme document	Company name	Principal business	Stock code	Premium/(discount) represented by cancellation price over/(to) the share price on/average share price for					Premium/(discount) represented by cancellation price over/to NAV
				Last full trading day <i>(Note 1)</i>	Last 5 trading days <i>(Note 1)</i>	Last 10 trading days <i>(Note 1)</i>	Last 30 trading days <i>(Note 1)</i>	Last 60 trading days <i>(Note 1)</i>	
31 March 2025	Vesync Co., Ltd	Design, development and sales of small home appliances	2148	33.33%	34.36%	37.32%	44.37%	36.09%	122.25%
17 April 2025	Canvest Environmental Protection Group Company Limited	Operation and management of waste-to-energy plants, provision of environmental hygiene and related services and integrated smart city management services	1381	11.62%	12.59%	13.03%	16.90%	19.77%	21.29%
22 May 2025	ESR Group Limited	(i) development, construction and sale of completed properties; (ii) the management of the underlying assets on behalf of its capital partners via the funds and investment vehicles it managed; and (iii) the investment in completed properties, co-investment in the funds and investment vehicles and the public real estate investment trusts it managed, and other investments.	1821	13.60%	16.50%	17.14%	17.80%	11.10%	10.10%
			<b>Maximum:</b>	162.77%	158.99%	168.66%	185.71%	186.74%	970.11%
			<b>Minimum:</b>	11.62%	9.09%	1.69%	-6.25%	2.10%	-98.25%
			<b>Average:</b>	48.42%	52.82%	54.93%	62.13%	67.67%	75.19%
			<b>Adjusted average:</b> <i>(Note 2)</i>	40.80%	45.74%	47.35%	53.89%	59.73%	15.53%
			<b>Median:</b>	33.62%	42.16%	40.71%	49.49%	50.70%	-22.18%
			<b>The Cancellation Price</b>	50.63%	51.58%	52.22%	49.69%	48.45%	-20.53%

Source: Bloomberg and The Stock Exchange

*Notes:*

- (1) Based on the disclosure made in the respective scheme documents of the companies.
  - (2) The adjusted average is calculated after excluding the highest percentage in the sample. The highest percentages are excluded in deriving the adjusted average to provide an additional, not replacement, analysis to illustrate what would happen to the average if the highest percentages are taken out. It should be noted that the highest percentages (maximum values) have all exceeded the average by two standard deviations and also at least 100% higher than the average percentages. However, we did not exclude the lowest percentages given that the lowest percentages (minimum values) are all within 2 standard deviations from the average.
  - (3) The average of all premium and discount cases may not be an appropriate benchmark or indicator, especially when the premium represented by the cancellation price in the privatisation of Huafa Property Services was 970.1%, which appears to be abnormally high and may skew the average substantially and impact its meaningfulness. To assess whether such premium is normal, we have also looked at the scheme document in relation to the privatisation of Huafa Property Services, and noted that its comparable companies were trading at PBR from 0.3 to 2.1 times, which were equivalent to a discount of approximately 70% to a premium of approximately 110% to NAV. Therefore, such premium of 970.11% is abnormal not only when comparing to the Privatisation Precedents, but also abnormal in the relevant industry in which Huafa Property Services belongs.
- \* The numbers are not disclosed in the respective scheme documents, thus are calculated based on the closing prices quoted on the Stock Exchange of the respective Privatisation Precedents for illustrative purpose.

As illustrated above, the premium represented by the Cancellation Price over the Last Trading Day is higher than the average, median and the adjusted average, and falls within the range of the premiums or discounts of cancellation prices for the Privatisation Precedents.

In addition, the premiums represented by the Cancellation Price (i) fall within the range of the premiums of offer/cancellation prices for the Privatisation Precedents over last 5 days, 10 days, 30 days and 60 days; (ii) are higher than the adjusted average or median of the premiums of offer/cancellation prices for the Privatisation Precedents over last 5 and 10 days and the median of the premiums/discount of offer/cancellation prices for the Privatisation Precedents over last 30 days; and (iii) are lower than the adjusted average of the premiums of offer/cancellation prices for the Privatisation Precedents over last 30 days and 60 days and the median of the premiums of offer/cancellation prices for the Privatisation Precedents over last 60 days.

Regarding the discount represented by the Cancellation Price to the NAV, it falls within the range of the premiums/discounts represented by the offer/cancellation prices for the Privatisation Precedents, which widely ranged from a discount of 98.25% to a premium of 970.11% owing to the difference in their business natures.

To provide a further assessment, out of the 16 Privatisation Precedents, (i) 7 cases had offer/cancellation prices that represent premiums over their respective NAV per share and 9 cases had offer/cancellation prices represent discounts to their respective NAV per share, illustrating offer/cancellation prices pitched at discounts to NAV per share are not uncommon in privatisation transactions; and (ii) out of the 9 Privatisation Precedents which offer/cancellation prices were at a discount to their respective NAV per share, only one precedent had a discount that is lower than the discount represented by the Cancellation Price to the NAV in the Proposal.

Reference should also be made to our previous analysis. As illustrated in the section headed "6. Reasons for and benefits of the Proposal" above, the PBR of the Company has consistently remained below 1 for the past 10 years, which implies that the investors might not

have valued the Shares based solely on the value of the Company's net assets and the Shareholders may not be able to realise their investments in the Shares through an on-market transaction at a price equal to or similar to the NAV per Share. In addition, as discussed under section headed "7.2 Analysis on comparable companies" above, the adjusted average and median PBRs of the Comparable Companies were approximately 0.51 times and 0.39 times respectively, which were lower than the implied PBR of the Company as calculated based on the Cancellation Price and NAV attributable to Shareholders of approximately 0.79 times, implying that the discount to the NAV represented by the Cancellation Price generally is not as deep as its peers. Furthermore, 6 out of 8 also recorded PBR of below 1. It appears common for the shares of companies operating in the same industry as the Group to be traded at discount to their NAV.

Based on the above analysis on the Privatisation Precedents, we are of the view that the Cancellation Price is fair and reasonable as far as the Disinterested Shareholders are concerned.

## **RECOMMENDATION**

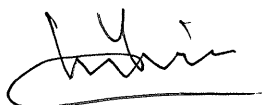
Having considered the above principal factors and reasons as summarized below, we consider that the terms of the Proposal and the Scheme are fair and reasonable as far as the Disinterested Shareholders are concerned:

- (a) the Company's financial performance has remained under pressure and the weak retail consumer sentiment is having a significant adverse impact on the retail market in Hong Kong;
- (b) in light of the macroeconomic uncertainties including the changed retail landscape and consumer behavior, the Group must identify new angles with an aim to rely less on multi-brand retailing where the Company has little control over margins, the Company's transformation will involve execution risk and the associated benefits will require a longer time to realise;
- (c) the Scheme provides an opportunity for the Scheme Shareholders to monetize their Shares at a premium over the recent market price of the Company;
- (d) the Scheme provides an exit opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price;
- (e) the Cancellation Price is fair and reasonable in comparison to the Comparable Companies; and
- (f) the Cancellation Price is fair and reasonable in comparison to the Privatisation Precedents.

Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions(s) to be proposed at the Court Meeting and the SGM to approve and implement the Scheme.

Yours faithfully,  
For and on behalf of

**Platinum Securities Company Limited**



**Liu Chee Ming**  
*Managing Director*



**Fion Chau**  
*Director*

*Mr. Liu Chee Ming and Ms. Fion Chau are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Ms. Fion Chau have over thirty years and fifteen years of experience in the corporate finance industry, respectively.*