Date of initial announcement *(Note 2)*	Company name (stock code)	Premium or (discount) represented by offer/ cancellation price over/to closing share price/average share price on/over *(Note 1)* Last full trading day *(Note 3)*	5-trading day *(Note 4)*	10-trading day *(Note 4)*	30-trading day *(Note 4)*	60-trading day *(Note 4)*	90-trading day *(Note 4)*	Premium or (discount) represented by offer/ cancellation price over/ to latest NAV/ adjusted NAV per share *(Note 5)*
21 February 2023	Jiangnan Group Limited (1366)	83.5%	100.0%	106.2%	107.3%	102.0%	91.4%	(63.8)%
17 February 2023	AAG Energy Holdings Limited (2686)	10.1%	10.1%	9.3%	10.8%	24.2%	27.2%	(27.5)%
	Highest	**162.8%**	**159.0%**	**168.7%**	**185.7%**	**186.7%**	**184.5%**	**970.1%**
	Lowest	**(1.1)%**	**(0.6)%**	**(1.0)%**	**0.3%**	**(1.4)%**	**(14.9)%**	**(98.6)%**
	Average	**46.4%**	**47.8%**	**49.4%**	**54.7%**	**56.6%**	**58.3%**	**35.3%**
	Median	**33.6%**	**36.2%**	**39.8%**	**44.6%**	**43.8%**	**41.7%**	**(46.5)%**
	The Company (at the Cash Alternative) (2148)	**33.3%**	**34.4%**	**37.3%**	**44.4%**	**36.1%**	**36.4%**	**122.3%**

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The figures are quoted from the respective offer/scheme document or if such data is not available, calculated based on the offer/cancellation price divided by the closing price per share on the last full trading day or average closing price per share during various periods.

2. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier.

3. The last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the release of the initial announcement.

4. Up to and including the last full trading day.

5. It represents the premium or (discount) represented by the offer/ cancellation price over the NAV per share (or adjusted NAV per share, if available) quoted from the respective offer/ scheme document.

6. Subject to rounding differences.

Based on the table above, the average premiums and median premiums of the Privatisation Precedents over the (average) closing price on the last trading day, and for last 5, 10, 30, 60 and 90 trading days range from approximately 46.4% to 58.3% and approximately 33.6% to 44.6% respectively. The generally higher average premiums compared to the median premiums is mainly due to the exceptionally high premiums over market prices offered pursuant to certain Privatisation Precedents. For example, the privatisation case of A8 New Media involved a substantial premium of approximately 162.8% over the market price on the last trading day and substantial premiums ranging from 159.0% to 185.7% over the last 5 to 90 trading days, much higher than the relevant median premiums. As such, the median premiums of the Privatisation Precedents may offer a fairer analysis compared to average premiums which are affected by outliers The average premium of the Privatisation Precedents over their respective NAV is approximately 35.3%, with a median discount of approximately 46.5%.

The premiums represented by the Cash Alternative of HK$5.60 per Scheme Share are well within the corresponding range of the Privatisation Precedents, despite being below the average premiums, as well as below the median premiums of the Privatisation Precedents over the closing price on the last trading day for the last 5 to 90 trading days by approximately 0.2 to 7.7 percentage points. Notwithstanding this, having considered that (a) the Cash Alternative represents premiums in a range of approximately 33% to 44% over the closing Share prices on the Last Trading Date and for different recent periods before and up to the Last Trading Date; (b) the Cash Alternative represents a premium of approximately 122.3% over the Attributable Net Assets value per Share as at 31 December 2024; (c) the implied P/S Multiple and P/B Multiple of the Company at the Cash Alternative is above the corresponding average and median of the historical P/S Multiples and P/B Multiples of the Comparable Companies, although the implied P/E Multiple at the Cash Alternative is below the average and median of the historical P/E Multiples of the Comparable Companies, on balance, we consider the Cash Alternative to be fair and reasonable.

SPECIAL DEAL RELATING TO THE INVESTOR ARRANGEMENT

As set out in the "Letter from the Board" in the Scheme Document, the rights and obligations of TopCo Shareholders are governed by, among others, the provisions of the Companies Act and the TopCo Articles. Under the TopCo Articles, so long as the Minimum Holding Requirement is met, (a) the Investor and/or its affiliates shall have veto rights over certain actions and matters of the TopCo Group such as declaration and payment of dividends, material acquisition or disposal of assets, and incurrence of material indebtedness; and (b) the Investor and/or its affiliates have right to require TopCo to redeem all of its TopCo Shares at a price that yields the applicable internal rate of return as set out in the TopCo Articles, if a qualified listing or a Qualified Trade Sale (a Trade Sale which will generate an internal rate of return exceeding the prescribed hurdle rate to the Investor (and/or its affiliates) on its investment in TopCo) of the TopCo Group pursuant to the terms of the TopCo Articles has not been consummated within three years and nine months after the closing date of the Proposal.

Background and information of the Investor

The Investor, HHLR Fund, L.P. ("**HHLR Fund**"), is a limited partnership formed under the laws of the Cayman Islands. HHLR Advisors, Ltd. ("**HHLR Advisors**") (previously known as Hillhouse Capital Advisors, Ltd.) serves as the investment manager of HHLR Fund. HHLR Fund and HHLR Advisors, collectively the only strategic investor holding over 5% interests in the Company, were interested in an aggregate of 94,686,000 Shares, representing approximately 8.31% of the issued share capital of the Company as at the Latest Practicable Date. HHLR Advisors, incorporated in 2005, manages one of the largest investment portfolios in Asia with focus on consumer, TMT, industrials and healthcare sectors.

As noted in the prospectus of the Company dated 8 December 2020, Hillhouse Capital Advisors, Ltd. was the sole investment manager and the general partner, respectively, of two cornerstone investors in the Company's global offering. We understand from the executive Directors of the Company that the Board has maintained long-term and positive relationship with the Investor since the listing of the Company in December 2020. During this time, the Investor has provided valuable opinions to the Group on development strategy leveraging on its global resources, investment acumen and business networks.

Rationale for the Investor Arrangement

The Investor boasts a proven track record of successful investments, having built a substantial investment portfolio alongside extensive knowledge and expertise, all of which can be leveraged to deliver significant value to the Group. The Investor has assisted the Group in sourcing industry experts to provide strategic and operational advisory support, including identifying senior consultants, which has strengthened the Group's leadership team and enhanced its operational efficiencies and capabilities. Through its deep industry experience, the Investor also provided advice on product differentiation, introduced sales channel resources and shared valuable consumer insights to the Group to support its growth and strategic initiatives. In view of this, the Offeror, which is controlled by two executive Directors and one non-executive Director, believes that retaining the Investor's involvement will benefit the prospects of the Group. It was of critical importance in putting forward the Proposal that the Investor and its affiliates continue to contribute and share its resources and business networks to support and grow the Group's business operations and market position upon completion of the Proposal. The Investor's involvement is expected to enhance the Group's competitiveness in the market and benefit the Group's long-term sustainable development and growth, ultimately delivering value to the TopCo Shareholders.

Electing the Share Alternative rather than the Cash Alternative requires the Investor to give up public market liquidity of its investment for a strategic position in a private company. Considering the Investor's substantial investment in the Company and their potential to add value, the Offeror has decided to propose the Investor Arrangement to the Investor as an incentive to elect the Share Alternative, thereby retaining the Investor as a strategic TopCo Shareholder. The Investor provided the Irrevocable Undertaking to the Offeror in December 2024, pursuant to which it will, among others, elect the Share Alternative only as the form of Cancellation Consideration.

Veto rights granted to the Investor

Under the Investor Arrangement, if the Investor and/or its affiliates met the Minimum Holding Requirement by holding (a) at least 8% of the TopCo's share capital (on a fully-diluted basis) as at completion of the Proposal; and (b) at least 5% of TopCo's share capital (on a fully-diluted basis but disregarding the dilutive effect of the issuance of any equity securities by the TopCo after completion of the Proposal) from time to time after completion of the Proposal, the Investor and/or its affiliates shall have veto rights over certain actions and matters of the TopCo Group (the "**Prescribed Matters**"). The Prescribed Matters, including declaration and payment of dividends, material acquisition or disposal of assets, and incurrence of material indebtedness relate to the long term development strategy of TopCo. Based on our discussion with the Investor, the veto rights and the redemption rights discussed below granted to the Investor are considered to be similar to those granted to key investors in private equity projects. Details of the veto rights are set out in the section headed "Special Deal relating to the Investor Arrangement" of the "Letter from the Board" and the Explanatory Memorandum of the Scheme Document.

The Minimum Holding Requirement imposed on the Investor is designed to maintain the shareholding of the Investor and closely align the Investor's interests with the performance of TopCo. The Investor Arrangement allows the Investor (and/or its affiliates) to turn down Prescribed Matters proposed to be carried out by the Company in case the Investor (and/or its affiliates) holds a different view on the development strategy of TopCo. The Offeror believes that the Investor will act for the best interest of TopCo given its aligned interest with the performance of TopCo. The TopCo Board will comprise five directors, of which four directors will be jointly appointed by the Founder Group and the remaining one director will be appointed by ordinary resolution of the TopCo Shareholders. The appointment and removal of any senior management members of the TopCo Group shall require approval of the TopCo Board. The TopCo Board will be the governing body of TopCo and be responsible for the management and operation of TopCo. Although the Investor will not have rights to formulate and decide policy matters of TopCo, if it maintains the Minimum Holding Requirement, it will have veto rights over Prescribed Matters proposed by the Board.

Redemption of TopCo Shares held by the Investor

If (a) the Investor and/or its affiliates satisfies the Minimum Holding Requirement; and (b) a qualified listing or a Qualified Trade Sale of the TopCo Group pursuant to the terms of the TopCo Articles has not been consummated by the date falling three years and nine months after the closing date of the Proposal, the Investor and/or its affiliates has a right to require the TopCo to redeem all of its TopCo Shares at a price per share that yields the applicable internal rate of return as set out in the TopCo Articles (the "**Redemption Request Right**"). As stated in the TopCo Articles, the redemption shall yield an internal rate of return for TopCo Shares held by the Investor of (a) 8% since the relevant TopCo Shares are fully paid or completion of holder registration, until and including the second anniversary of the date on which the Scheme becomes effective (the "**First Measurement Period**"); and (b) 12% after the First Measurement Period until TopCo fully settle the redemption price to the Investor under the Redemption Request Right.

As the Investor has provided the Irrevocable Undertaking to the Offeror to elect the Share Alternative only as the form of Cancellation Consideration, the Investor has been granted an exit right in the form of the Redemption Request Right that yields a rate of return similar to the cost of capital of the Investor over a medium term period of approximately three and three quarter years. This may be considered within a normal time span for a private equity exit, bearing in mind the Investor has already held the Shares for over 4 years.

In case the Redemption Request Right is exercised by the Investor, the Offeror believes TopCo will have sufficient financial resources to redeem all TopCo Shares held by the Investor without adversely disrupting the operation of the Group with reference to the Group's existing cash and cash equivalents position.

Conclusion

The Investor Arrangement will not adversely affect the Disinterested Shareholders electing the Cash Alternative as they will not be TopCo Shareholders. As set out above, we consider the Share Alternative has been tailored principally for large and sophisticated Shareholders, such as the Investor, which are likely to be familiar with the rights granted to substantial private equity investors.

The terms of the Investor Arrangement, including the veto rights granted to the Investor upon completion of the Proposal, are fully disclosed in the Scheme Document. The approval of the Investor Arrangement by the Disinterested Shareholders at the EGM is a non-waivable condition of the Proposal and the Scheme. The Investor Arrangement, as well as the Proposal and the Scheme, are conditional upon, among other things, the approval by the Disinterested Shareholders which cannot be waived.

As we consider that the Proposal and the Scheme are in the interests of the Disinterested Shareholders, and taking in to account (i) the past contribution of the Investor to the Company and its strategic importance to the future development of TopCo as discussed above in the paragraph headed "Rationale for the Investor Arrangement" of this letter (such as (a) assisting the Group in sourcing industry experts to provide strategic and operational advisory support which has strengthened the Group's leadership team and enhanced its operational efficiencies and capabilities; and (b) providing advice on product differentiation, introduced sales channel resources and shared valuable consumer insights to the Group to support its growth and strategic initiatives), where general Disinterested Shareholders may not be able to offer such resources and expertise; (ii) the importance to the Offeror of retaining the Investor as a TopCo Shareholder when deciding to put forward the Proposal so that the Investor and its affiliates continue to contribute and share its resources and business networks which is expected to benefit the Group's long-term sustainable development and growth; (iii) the Investor being a prominent strategic investor in the Company who would be interested in at least approximately 8.31% in TopCo immediately upon completion of the Proposal; (iv) only if the Investor satisfies the Minimum Holding Requirement will it have the Redemption Request Right and veto rights over Prescribed Matters proposed by the Board (but will not be able to formulate and decide on policy matters of TopCo); (v) the Redemption Request Right is offered to the Investor as the Investor has provided the Irrevocable Undertaking to elect the Share Alternative only as the form of Cancellation Consideration, and such terms are not uncommon for significant investors in private equity transactions; and (vi) if the Redemption Request Right is exercised, it is expected to be financed by TopCo's internal resources, we are of the view that the Investor Arrangement is justified and fair and reasonable as far as the Disinterested Shareholders are concerned.

DISCUSSION

(i) The Proposal and the Scheme

As set out above, we consider the Share Alternative has been chiefly designed for large and sophisticated Shareholders and we do not consider it suitable for other Disinterested Shareholders. Consequently, the discussion below relates to the Cash Alternative except for the final sub-paragraph on the Share Alternative.

Prospects of the Group

Except loss generated in 2022 mainly due to the Voluntary Recall, the revenue and profits of the Group showed an increasing trend during the period from 2022 to 2024. Nevertheless, we consider the future prospects of the Company are not without challenges in the short to medium term. As the market for small home appliances is highly saturated and competitive with various established brands, customers are price sensitive. Differentiating products in such a crowded market requires heavy investment in technology innovation and branding. The United States has recently imposed an additional 20% import tariffs on goods imported from the PRC. If the trade dispute between China and the United States worsens, there is a risk to the Group which may materially and adversely affect its operations.

Historical price compared to the Cash Alternative

The Scheme Shares will be cancelled at HK$5.60 each under the Cash Alternative. We have assessed the fairness of the Cash Alternative by reviewing the Share prices of the Company during the Share Price Review Period, the Share prices closed below the Cash Alternative of HK$5.60 per Scheme Share for 739 trading days, out of 1,043 trading days (approximately 70% of the total trading days). The Cash Alternative represents premiums in a range of approximately 33% to 44% over the closing Share prices for different periods set out above before the Last Trading Date, which we consider a favourable factor to the Disinterested Shareholders.

The Shares closed at HK$5.44 per Share on the Latest Practicable Date, a price which we consider largely determined by the Cash Alternative price and so vulnerable to short-term declines if the Proposal fails.

Trading volume of the Shares

The trading liquidity of the Shares has been at a generally thin level during the Trading Liquidity Review Period. Accordingly, Scheme Shareholders as a whole might not be able to dispose of their Shares, if they wish to do so, without causing downward pressure on the market price. In our view, the relatively high level of trading after the Announcement may not be sustainable if the Proposal and the Scheme lapse. Consequently, we consider the Proposal and the Scheme provide a valuable opportunity for the Scheme Shareholders to dispose of their entire holdings at a fixed consideration for cash under the Cash Alternative, which is at premiums in a range of approximately 33% to 44% over the closing Share prices on the Last Trading Date and for different recent periods before and up to the Last Trading Date, as detailed in the paragraph headed "(iii) Cancellation Consideration (Cash Alternative) comparisons" of this letter above.

Comparable Companies

The implied P/S Multiple and P/B Multiple of the Company at the Cash Alternative is above the corresponding average and median of the historical P/S Multiples and P/B Multiples of the Comparable Companies, while the implied P/E Multiple at the Cash Alternative is below the average and median of the historical P/E Multiples of the Comparable Companies.

Privatisation Precedents

As set out in the sub-section headed "Privatisation Precedents" of this letter above, the premiums represented by the Cash Alternative over different periods are well within the corresponding range of the Privatisation Precedents, despite being below the average premiums, as well as below the median premiums of the Privatisation Precedents over the closing price for different periods set out above by approximately 0.2 to 7.7 percentage points.

Having considered that (a) the Cash Alternative represents premiums in a range of approximately 33% to 44% over the closing Share prices on the Last Trading Date and for different recent periods before and up to the Last Trading Date; (b) the Cash Alternative represents a premium of approximately 122.3% over the Attributable Net Assets value per Share as at 31 December 2024; (c) the implied P/S Multiple and P/B Multiple of the Company at the Cash Alternative is above the corresponding average and median of the historical P/S Multiples and P/B Multiples of the Comparable Companies, although the implied P/E Multiple at the Cash Alternative is below the average and median of the historical P/E Multiples of the Comparable Companies; and (d) the premiums represented by the Cash Alternative over different periods are well within the corresponding range of the Privatisation Precedents, despite being below the average and median premiums of the Privatisation Precedents, on balance, we consider the Cash Alternative to be fair and reasonable.

The Share Alternative

Based on the estimates of DBSAC, which in our opinion is a reasonable approach, the Share Alternative is valued at between HK$3.92 to HK$5.60. Disinterested Shareholders who are attracted by the prospects of the Company may consider accepting the Share Alternative. However, as explained in this letter above, we do not think the Share Alternative is suitable for Disinterested Shareholders who are not large and sophisticated investors as they will suffer a sharply decreased level of liquidity and shareholder protection. Disinterested Shareholders are advised to study the associated risks in holding of the TopCo Shares by referring to (i) the sub-section headed "Risks which Disinterested Shareholders should bear in mind in evaluating the Share Alternative" of this letter; and (ii) the sub-section headed "The Share Alternative" in the "Letter from the Board" and relevant disclosure in the Explanatory Memorandum of the Scheme Document if they are considering accepting the Share Alternative.

(ii) The Investor Arrangement

We consider that the Proposal and the Scheme are in the interests of the Disinterested Shareholders. After taking into account various factors as stated in the section headed "Special Deal relating to the Investor Arrangement" above, especially the Offeror's view that retaining the Investor was of critical importance to its decision to put forward the Proposal and to the future development of TopCo after the completion of the Proposal, we are of the view that the Investor Arrangement is justified and fair and reasonable as far as the Disinterested Shareholders are concerned.

The Investor Arrangement will not adversely affect the Disinterested Shareholders electing the Cash Alternative as they will not be TopCo Shareholders. We consider the Share Alternative has been tailored principally for large and sophisticated Shareholders, such as the Investor, which are likely to be familiar with the rights granted to substantial private equity investors.

The terms of the Investor Arrangement, including the veto rights granted to the Investor (and/or its affiliates) upon completion of the Proposal, are fully disclosed in the Scheme Document and are, in our opinion, terms such as a significant investor in a private equity investment can negotiate. The approval of the Investor Arrangement by the Disinterested Shareholders at the EGM is a non-waivable condition of the Proposal and the Scheme.

OPINION AND RECOMMENDATIONS

(i) The Proposal and the Scheme

Based on the above principal factors and reasons and as summarised in the section headed "Discussion" above, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee advises the Disinterested Shareholders to vote in favour of the resolution(s) to be proposed at the Court Meeting to approve the Proposal and the Scheme and at the EGM to approve the matters as set out in the "Notice of EGM" contained in Appendix VIII to the Scheme Document.

Disinterested Shareholders should note that the Cash Alternative of HK$5.60 represents a premium of approximately 2.94% compared to the closing price of the Shares of HK$5.44 as at the Latest Practicable Date. If the market price of the Shares exceeds HK$5.60 (which however we consider unlikely given the factors discussed above as to Share prices), Disinterested Shareholders should consider selling their Shares in the market if the sales proceeds, net of transaction costs, exceed HK$5.60 per Share. The expected last day for trading in the Shares on the Stock Exchange is 24 April 2025 and upon the Scheme becoming effective, the listing of the Shares will be withdrawn. Comments on the Share Alternative are set out below.

(ii) **Whether to accept the Cash Alternative or the Share Alternative**

In general, we recommend Disinterested Shareholders **not to elect the Share Alternative.** We consider the Share Alternative has been tailored principally for large and sophisticated Shareholders and is not suitable for other Disinterested Shareholders. In our opinion, only those Disinterested Shareholders who are particularly attracted by the prospects of the Company and are familiar with holding unlisted investments should consider the Share Alternative. If so, they should carefully study the risks of holding the TopCo Shares (discussed in the sub-section headed "Risks which Disinterested Shareholders should bear in mind in evaluating the Share Alternative" above) and the terms of the Investor Arrangement.

(iii) **Whether to approve Investor Arrangement**

Based on the above principal factors and reasons and as summarised in the section headed "Discussion" above, we are of the view that the Investor Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned.

Accordingly, we recommend that the Independent Board Committee advises the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Investor Arrangement as set out in the "Notice of EGM" contained in Appendix VIII to the Scheme Document.

(iv) **Procedures**

Details regarding the Proposal and the Scheme are set out in the Explanatory Memorandum of the Scheme Document. Disinterested Shareholders are urged to note the procedures and timetable set out in the Scheme Document and take action accordingly.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over thirteen years' experience in the corporate finance industry.