



SOMERLEY CAPITAL LIMITED

20/F., China Building, 29 Queen's Road Central, Hong Kong

Telephone: 2869 9090 Fax: 2526 2032 E-Mail: somerley@somerley.com.hk

23 July 2025

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF LIPPO LIMITED
BY LL CAPITAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
(2) CONDITIONAL SPECIAL DISTRIBUTION
BY WAY OF DISTRIBUTION IN SPECIE BY LIPPO LIMITED OF
ORDINARY SHARES IN LIPPO CHINA RESOURCES LIMITED
AND
(3) PROPOSED WITHDRAWAL OF LISTING OF
LIPPO LIMITED**

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal (including the Scheme and the Distribution). Details of the Proposal are set out in the Scheme Document dated 23 July 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

As disclosed in the Announcement, the Offeror and the Company jointly announced that on 16 May 2025, the Offeror requested the Board to put forward to the Shareholders the Proposal which comprises the privatisation of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance at the Scheme Consideration of HK\$0.14 per Scheme Share in cash and, conditional upon satisfaction of the Distribution Conditions, the Distribution by the Company to Shareholders whose names appear on the Register on the Scheme Record Date, representing a special distribution by way of a distribution in-specie of up to 303,289,730 LCR Shares (representing approximately 33.01% of the total issued LCR Shares). According to the announcement of the Company dated 9 May 2025, the Board proposed a capital reduction of approximately HK\$934 million (the “Capital



Reduction”) to partially set-off against the accumulated losses resulting from a provision made by the Company in its financial statement for its subsidiaries due to the HKC Share Distribution announced on 27 December 2024 and completed in January 2025. The Capital Reduction was approved at the Company’s annual general meeting held on 23 June 2025.

Conditional upon the satisfaction of the Distribution Conditions, through an election mechanism, Shareholders will be able to receive their entitlements under the Distribution either (but not a combination of both):

- in scrip form under the Scrip Alternative; or
- in cash form under the Cash Alternative.

The Independent Board Committee, comprising all the non-executive Directors, namely Mr. Jark Pui Lee, Mr. Leon Nim Leung Chan, Mr. King Fai Tsui, Mr. Victor Ha Kuk Yung and Ms. Min Yen Goh, has been established by the Board to make recommendations to the Disinterested Shareholders as to: (i) whether the Proposal (including the Scheme and the Distribution) is, or is not, fair and reasonable; and (ii) whether to vote in favour of (a) the resolution to approve the Scheme at the Court Meeting; (b) the special resolution to approve and give effect to the Scheme and the ordinary resolution to approve the Distribution at the General Meeting. None of them have any relationship with the Offeror and its ultimate beneficial owners. As at the Latest Practicable Date, Mr. Jark Pui Lee was interested in, through the interest of his spouse, 8 Shares of the Company. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them in this regard.

As at the Latest Practicable Date, Hongkong China Treasury Limited, a wholly-owned subsidiary of LCR, held 400,000 shares in Somerley Capital Holdings Ltd. (stock code: 8439) (“SCHL”), the holding company of Somerley Capital Limited, representing approximately 0.27% of the issued share capital of SCHL with market value of approximately HK\$158,000. Save for the aforesaid, we are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal. Somerley Capital Limited has not served as a financial adviser to (i) the Company or its subsidiaries; (ii) the Offeror or its subsidiaries; or (iii) a core connected person (as defined in the Listing Rules) of the Company or the Offeror, within 2 years prior to the IFA Obligation Commencement Time as defined under Rule 13.84 of the Listing Rules. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) published information of the Group, including the annual reports of the Company and LCR for the year ended 31 December 2024; (iii) the Pro Forma Statement of Adjusted NAV; and (iv) the assurance report from the independent reporting accountants on the compilation of the pro forma financial information. We have relied on the information and facts supplied by the Company and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and



complete in all material aspects as at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations or our opinion before the time of the Court Meeting and the General Meeting. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us which would render any statement in this letter misleading. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Disinterested Shareholders of voting for or against the Proposal (including the Scheme and the Distribution), as the case may be, since these are particular to their individual circumstances. In particular, Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers. Overseas Shareholders are advised to pay attention to the section headed “19. OVERSEAS SCHEME SHAREHOLDERS” in Part VIII — Explanatory Memorandum to the Scheme Document.

II. PRINCIPAL TERMS OF THE PROPOSAL

The Scheme

Under the Proposal, subject to the Scheme becoming binding and effective in accordance with its terms, each of the Scheme Shares will be cancelled in exchange for the Scheme Consideration. The Scheme Consideration is HK\$0.14 per Scheme Share.

The Distribution

Under the Proposal, conditional upon the Distribution Conditions being satisfied, the Company will make the Distribution to be effected by way of a distribution in-specie of the Distributable LCR Shares to Shareholders whose names appear on the Register on the Scheme Record Date.

Conditional upon the satisfaction of the Distribution Conditions, through an election mechanism, Shareholders will be able to receive their entitlements under the Distribution either (but not a combination of both):

- scrip form under the Scrip Alternative, through receipt of such number of LCR Shares calculated based on 615 LCR Shares for every 1,000 Shares held by the Shareholder, rounded down to the nearest whole number (i.e. the Scrip Alternative Shares); or



- cash form under the Cash Alternative, an amount of HK\$0.564 per Share (i.e. the Cash Alternative Amount).

The Cash Alternative Amount of HK\$0.564 per Share is determined by multiplying the VWAP per LCR Share for the last 3 months ended on and including the Last Trading Date of HK\$0.9167 by the ratio of the Scrip Alternative of 615 LCR Shares for every 1,000 Shares.

Each Scheme Shareholder will only be entitled to irrevocably elect to receive their entitlements under the Distribution either in scrip form under the Scrip Alternative or in cash form under the Cash Alternative (but not a combination of both) for all of his, her or its Shares. Shareholders who do not make an election will be deemed to have elected to receive the Cash Alternative in respect of all of his, her or its Shares. Lippo Capital confirmed that it will elect to receive the Scrip Alternative under the Distribution in respect of all its Shares.

As the Scrip Alternative under the Distribution will not be extended to the Non-Qualifying Shareholders, the Non-Qualifying Shareholders will not be able to elect to receive their entitlements under the Distribution in scrip form (as Scrip Alternative Shares). Subject to the Scheme being approved and implemented and the Distribution Conditions being satisfied, the Non-Qualifying Shareholders will automatically receive the Scheme Consideration and Cash Alternative Amount. Further details are stated in the section headed “19. OVERSEAS SCHEME SHAREHOLDERS” in Part VIII — Explanatory Memorandum to the Scheme Document.

Total entitlements under the Proposal

Under the Proposal, the Scheme Shareholders will be able to receive the Scheme Consideration together with their entitlements under the Distribution as summarised below:

Scrip Alternative	Scheme Consideration (HK\$0.14 per Scheme Share) + Scrip Alternative Shares (615 LCR Shares per 1,000 Shares)
Cash Alternative	Total Cash Entitlement of HK\$0.704 per Scheme Share (equivalent to the sum of (i) Scheme Consideration of HK\$0.14 per Scheme Share; and (ii) Cash Alternative Amount of HK\$0.564 per Share)

The amount of the Scheme Consideration of HK\$0.14 per Scheme Share which each Scheme Shareholder will receive for the cancellation of its Scheme Shares under the Scheme, will be the same regardless of whether a Scheme Shareholder elects to receive the Scrip Alternative Shares or the Cash Alternative Amount. If a Shareholder elects to receive the Cash Alternative, the amount of the Cash Alternative Amount is fixed at HK\$0.564 per Scheme Share (based on the ratio of the Scrip Alternative of 615 LCR



Shares for every 1,000 Shares multiplied by the VWAP per LCR Share of HK\$0.9167), whereas if a Shareholder elects to receive the Scrip Alternative, the value of the Scrip Alternative Share will change from time to time depending on the market price of the LCR Shares. Each Scheme Shareholder will receive (i) the Scheme Consideration under the Scheme; and (ii) the Scrip Alternative Shares or the Cash Alternative Amount (as elected by the Scheme Shareholder) under the Distribution, and there will not be a situation where the Scheme Shareholders will only receive one but not the other.

The Offeror will not increase the Scheme Consideration and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Scheme Consideration. The Offeror will not request the Company to change the Distribution ratio of 615 LCR Shares for every 1,000 Shares held as at the Scheme Record Date.

Conditions to the Proposal

The Scheme

The Scheme will only become binding and effective on the Company and all of the Scheme Shareholders if the Scheme Conditions are fulfilled or waived (as applicable). The Scheme Conditions include, among other conditions:

- (i) The approval of the Scheme at the Court Meeting (by way of a poll) by holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares, provided that (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Disinterested Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares held by the Disinterested Shareholders;
- (ii) The passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting (or otherwise in accordance with the procedural requirements of Section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled;



- (iii) The sanction of the Scheme (with or without modification) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (iv) The Capital Reduction by the Company having been completed to enable it to have sufficient distributable reserves to make the Distribution, details of which have been stated in the announcement made by the Company on 9 May 2025 and in the circular of the Company dated 23 May 2025; and
- (v) The approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the General Meeting.

Further details of the Scheme Conditions are set out in the section headed “3. CONDITIONS TO THE PROPOSAL” in Part VIII — Explanatory Memorandum to the Scheme Document.

All of the Scheme Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal (including the Scheme and the Distribution) will lapse. If the Scheme Conditions are satisfied or (where applicable) waived, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal.

As at the Latest Practicable Date, save for the Scheme Condition in paragraph (j) in relation to material adverse change as set out in the abovementioned section in the Scheme Document which has been waived by the Offeror, none of the Scheme Conditions have been fulfilled or waived. Such waiver mechanism enhances the deal certainty while ensuring the Proposal or its implementation being legally binding. On this basis, we consider the interests of the Disinterested Shareholders and the Company as a whole will not be adversely affected.

There are approximately 123.4 million Disinterested Shares so that if the voting rights attaching to more than approximately 12.34 million Disinterested Shares are voted against the resolution to approve the Scheme in the Court Meeting, the Proposal (including the Scheme and the Distribution) will lapse pursuant to Scheme Condition (i) above.



The Distribution

The Distribution will be subject to satisfaction of the Distribution Conditions, which include:

- (i) The Capital Reduction by the Company having been completed to enable it to have sufficient distributable reserves to make the Distribution, details of which have been set out in the announcement made by the Company on 9 May 2025 and in the circular of the Company dated 23 May 2025;
- (ii) The approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the General Meeting; and
- (iii) The Scheme having become binding and effective in accordance with its terms and conditions.

Details of the Distribution Conditions are set out in the section headed “3. CONDITIONS TO THE PROPOSAL” in Part VIII — Explanatory Memorandum to the Scheme Document.

None of the Distribution Conditions can be waived. All of the Distribution Conditions must be fulfilled on or before the Long Stop Date, failing which the Proposal (including the Scheme and the Distribution) will lapse.

As at the Latest Practicable Date, none of the Distribution Conditions have been fulfilled.

Under the Proposal, there will not be a situation where the Scheme Shareholders will only receive the Scheme Consideration but not their entitlements under the Distribution (either cash or scrip), and vice versa. The addition of the Scheme Condition and Distribution Condition regarding the approval of the Distribution at the General Meeting further reinforces the structure of the Proposal, ensuring that the Scheme and the Distribution will be executed as intended as a package. Lippo Capital has irrevocably undertaken to vote in favour of the ordinary resolution to approve the Distribution at the General Meeting. Given Lippo Capital's approximately 74.98% shareholding in the Company as at the Latest Practicable Date, the resolution would have been duly passed with the abovementioned undertaking. On this basis, we consider the interests of the Disinterested Shareholders and the Company as a whole will not be adversely affected by the addition of the Scheme Condition and Distribution Condition in relation to the approval of the Distribution at the General Meeting.

The implementation of the Proposal will only become effective upon all the Scheme Conditions and the Distribution Conditions being satisfied or validly waived (as applicable) and thus the Scheme may or may not become effective and the Distribution may or may not be made.

The Company will make an application for the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange with effect immediately from 4:00 p.m. on Thursday, 25 September 2025 subject to the Scheme becoming effective.



III. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group, LCR and the Offeror

The Company is incorporated in Hong Kong with limited liability whose Shares have been listed on the Main Board of the Hong Kong Stock Exchange under the stock code: 226. The principal business activity of the Company is investment holding. The Group, through its subsidiaries, associates, joint ventures and joint operation, has principally been engaging in investment holding, property investment, property development, food businesses, healthcare services, property management, mineral exploration and extraction, securities investment and treasury investment.

The Company has historically relied on upstream dividend income from LCR and HKC. However, in the last two years, LCR and HKC have not paid material dividends and the Company has relied on borrowings, which as at 31 December 2024 amounted to HK\$790 million for the Company on a standalone basis (excluding the loan repaid prior to the HKC Share Distribution in the amount of HK\$120 million). Based on the borrowings of the Company of HK\$790 million and the Adjusted NAV after the Distribution of the Group of approximately HK\$243 million, we consider the gearing ratio of approximately 325.1% is high.

On 27 December 2024, the Company announced the HKC Share Distribution of 2,420 HKC Shares for every 1,000 Shares held by each qualifying shareholder. Approximately 1.19 billion HKC Shares were distributed in total, representing approximately 80.76% of the HKC Shares held by the Group and 59.72% of the total issued shares of HKC. This substantial distribution has significantly decreased the net assets of the Group, as it did a large distribution of assets without any corresponding reduction of the Company's liabilities. Following completion of the HKC Share Distribution in January 2025, the Company has retained approximately 284 million HKC Shares, representing approximately 14.23% of the total issued shares of HKC, which are since then accounted for as financial assets at fair value through other comprehensive income of the Group. HKC has been deconsolidated from the Group's financial statements after the completion of the HKC Share Distribution. Details of the HKC Share Distribution are set out in the announcements of the Company and HKC dated 27 December 2024.

As stated in the Scheme Document, the business activities of the Company are now mainly carried out by LCR, which is reflected by (i) the proportion of the total assets directly attributable to the Group when excluding those of the LCR Group and the HKC Group amounted to just approximately 5.8% of the total assets of the Group when excluding those of the HKC Group as at 31 December 2024; and (ii) the proportion of the remaining revenue the Group when excluding those directly attributable to the LCR Group and the HKC Group amounted to only approximately 0.3% of the total revenue of the Group when excluding those of the HKC Group for the year ended 31 December 2024.



LCR is a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Hong Kong Stock Exchange under the stock code: 156. The principal activity of LCR is investment holding. Its subsidiaries, associates, joint ventures and joint operation are principally engaged in investment holding, property investment, property development, food businesses, healthcare services, property management, mineral exploration and extraction, securities investment and treasury investment.

The Offeror is incorporated in the British Virgin Islands. It is an investment holding company and does not hold any material assets or businesses as at the Latest Practicable Date. As at the Latest Practicable Date, the Offeror is a wholly-owned subsidiary of Lippo Capital, which in turn is indirectly legally and beneficially owned by Dr. Stephen Riady, a director of Lippo Capital and an executive director of the Company and LCR, and Mr. James Tjahaja Riady as to 60% and 40% respectively of its total issued share capital.

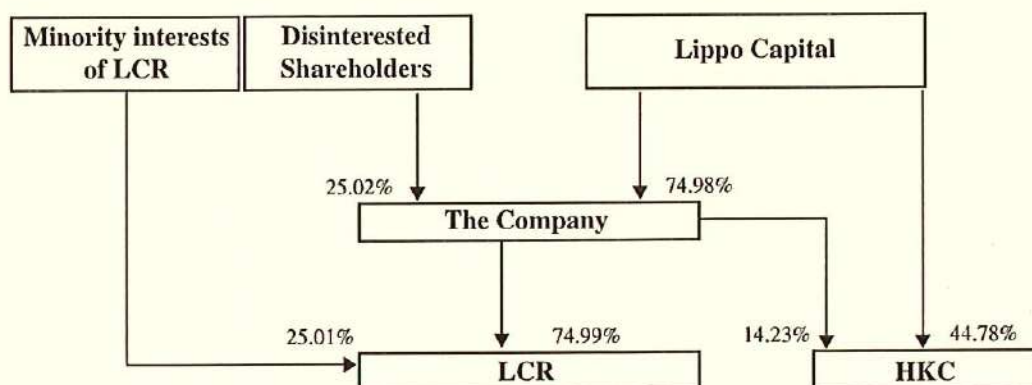
2. The effects of the Proposal

The main effects of the Proposal would be:

- (i) Distribute the Distributable LCR Shares (up to 303,289,730 LCR Shares) that the Company holds through Skyscraper (representing approximately 33.01% of the total issued shares of LCR) to Shareholders whose names appear on the Register on the Scheme Record Date, or the Cash Alternative of HK\$0.564 per Share is provided; and
- (ii) Privatisise the Company on the basis that the Distribution has been completed for the Scheme Consideration of HK\$0.14 per Scheme Share.

The charts below show the simplified structure of the Group as at the Latest Practicable Date and immediately upon the Effective Date, assuming that there will be no other change in the shareholdings of the Company before the Effective Date.

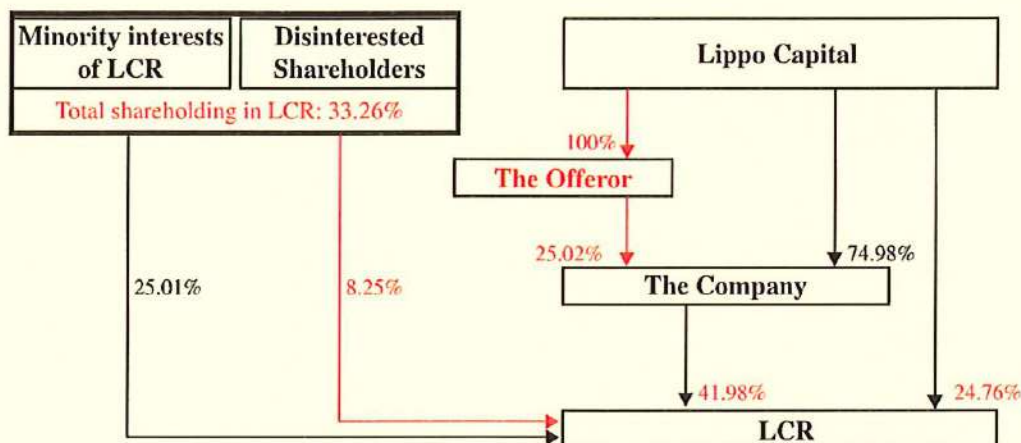
As at the Latest Practicable Date:



Note: The Proposal does not change the shareholdings of HKC, which are excluded from the charts below for simplicity.

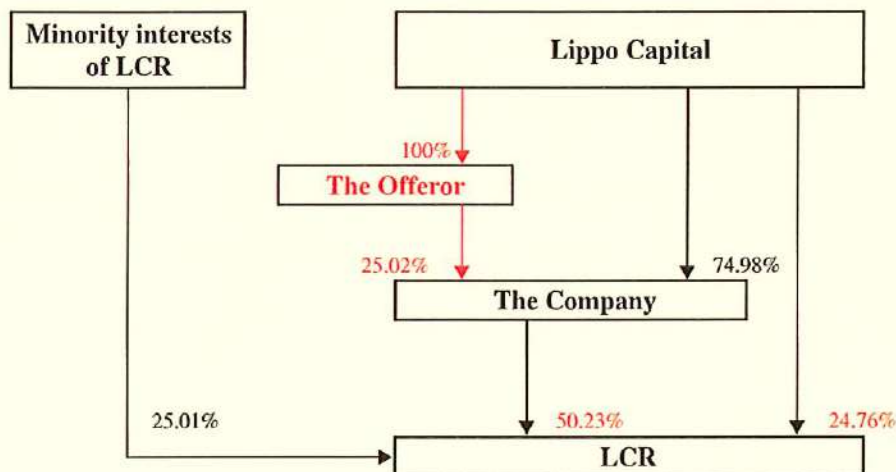


Immediately upon the Effective Date, assuming all Disinterested Shareholders elect the Scrip Alternative:



Note: The main changes are that Lippo Capital and the Offeror will together own 100% of the Company, the Company's holding in LCR will decrease to approximately 41.98%, Lippo Capital will directly hold approximately 24.76% of LCR, and the minority shareholdings of LCR will increase by approximately 8.25 percentage points (to be owned by the Disinterested Shareholders) from the original of approximately 25.01% to 33.26%.

Immediately upon the Effective Date, assuming all Disinterested Shareholders elect the Cash Alternative:



Note: The main changes are that Lippo Capital and the Offeror will together own 100% of the Company, the Company's holding in LCR will decrease to approximately 50.23% and Lippo Capital directly holds approximately 24.76% of LCR. The original minority shareholdings of LCR of approximately 25.01% will remain unchanged.



The table below, based on figures extracted from the Scheme Document, illustrates the adjusted net worth of the Group before the Distribution if the 74.99% LCR Shares held by the Group before the Distribution are valued at market price as at the Last Trading Date and the Latest Practicable Date.

	As at 31 December 2024 (with 74.99% of LCR Shares based on market value as at the Last Trading Date) HK\$' million (approximately)	As at 31 December 2024 (with 74.99% of LCR Shares based on market value as at the Latest Practicable Date) HK\$' million (approximately)
Adjusted NAV prior to the Distribution	805	805
Less:		
Consolidated NAV of LCR attributable to Shareholders	(1,276)	(1,276)
Add:		
74.99% of LCR Shares (based on market value as at the Last Trading Date/ Latest Practicable Date)	<u>565</u>	<u>489</u>
Adjusted net worth of the Group before the Distribution	94	18

The Company indirectly holds 689,018,438 LCR Shares as at the Latest Practicable Date, representing approximately 74.99% of the total issued shares of LCR, with a value of approximately HK\$565 million (based on market value as at the Last Trading Date) and approximately HK\$489 million (based on market value as at the Latest Practicable Date). Under the Distribution, a maximum of 303,289,730 LCR Shares will be distributed to Shareholders, representing approximately 33.01% of the total issued shares of LCR and 44.02% of the LCR Shares held by the Group. Based on the closing price of LCR Shares as at the Last Trading Date and the Latest Practicable Date, the market value of the maximum of 303,289,730 LCR Shares to be distributed amounted to approximately HK\$249 million and HK\$215 million respectively. Such market value of the Distributable LCR Shares receivable by the Scheme Shareholders under the Distribution exceeds the adjusted net worth of the Group of approximately HK\$94 million and HK\$18 million (which, for illustrative purpose, would be the remaining value of the Company attributable to the Shareholders without the Distribution), as shown in the table above. On this basis, the Directors consider, and we concur, that the Distribution ratio is fair and reasonable to the Disinterested Shareholders.



Based on the closing price of LCR Shares as at the Last Trading Date and the Latest Practicable Date, the market value of the minimum remaining 385,728,708 LCR Shares (representing approximately 41.98% of the total issued shares of LCR) held by the Company after the Distribution amounted to approximately HK\$316 million and HK\$274 million respectively. The consolidated net asset value attributable to this shareholding amounts to approximately HK\$714 million as at 31 December 2024 (by reference to the Pro forma Statement of Adjusted NAV as at 31 December 2024).

The Distribution allows the Scheme Shareholders to elect either the Cash Alternative or the Scrip Alternative. The Cash Alternative provides a good opportunity for the Scheme Shareholders to realise their investments for cash at an attractive premium over existing market price of the Shares when the trading liquidity in the Shares has been low in the past years as further discussed below. Such low trading liquidity of the Shares has been creating significant difficulty for Shareholders to execute on-market disposals without exerting correspondingly significant downward pressure on the price of the Shares. Should the Scheme Shareholders choose to receive the Cash Alternative, they may have the convenience of not having to sell those LCR Shares separately and paying the relevant trading fees.

Should the Scheme Shareholders prefer to stay with the potential of LCR bearing in mind the substantial net asset base of LCR as shown in the table above, they may choose to receive the Scrip Alternative Shares. Scheme Shareholders would be able to directly hold LCR Shares which may increase the liquidity of those LCR Shares to the extent that the Scrip Alternative is elected.

3. Financial information of the Group

Financial information of the Group is set out in Appendix I to the Scheme Document. As discussed above, following completion of the HKC Share Distribution in January 2025, the Company has retained approximately 284 million HKC Shares, representing approximately 14.23% of the total issued shares of HKC. On this basis, HKC shall be deconsolidated from the Group's financial statements and the remaining HKC Shares are accounted for as financial assets at fair value through other comprehensive income of the Group since completion of the HKC Share Distribution in January 2025.

(A) Financial performance of the Group and LCR

The Group recorded an attributable loss to Shareholders of approximately HK\$1,412 million in 2024. Such loss was mainly due to the share of loss of joint ventures, net fair value loss on financial instruments at fair value through profit or loss of the Group, provision for impairment loss on fixed assets, and the payment made for litigation settlement, offsetting by the share of net profits from the Group's associates. The share of loss of joint ventures included approximately HK\$1,192 million loss from its investment through HKC in Lippo ASM Asia Property Limited, the vehicle holding a controlling stake in OUE Limited ("OUE", together with its subsidiaries, collectively, the "OUE Group"), a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. In 2024, the OUE Group shared loss of an equity-accounted investee whose business in Mainland China had



been adversely impacted by the prevailing slow-down of the property market and the current economic environment in Mainland China, and incurred the fair value losses on investment properties of the OUE Group.

Food businesses are the principal sources of revenue of the Group, consolidated from the accounts of LCR and contributing about 86% of total revenue of the Group for 2024. Such revenue from food businesses segment amounted to approximately HK\$728 million for 2024, representing about 6% year-on-year increase. Such revenue was mainly generated from food retail operations in chains of cafés and bistros and food manufacturing carried out by LCR, which revenue increased by 5% and 7% year-on-year, respectively.

In 2024, over 93% of the total revenue of LCR was generated from the food businesses, and around 59% of the total revenue of LCR was generated from Singapore while Hong Kong and Malaysia contributed around 34% and 4% respectively. LCR is currently operating restaurants under the brands “Chatterbox Café”, “Délifrance”, “alfafa” and “Lippo Chiuchow Restaurant”. The performance of the food manufacturing business in Singapore and Malaysia improved during 2024 mainly due to enhanced operational cost management and higher sale revenue. However, the challenging operating environment of the LCR’s food businesses as a whole, which were intensified by high operating costs, outbound spending and weak consumption in Hong Kong, resulted in the segment loss of approximately HK\$35 million for 2024, compared to a loss of approximately HK\$55 million for 2023.

Set out below are the key financial figures of the LCR Group for the two years ended 31 December 2023 and 2024, as extracted from the Scheme Document:

	For the year ended	
	31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	775,302	739,438
Gross profit	474,594	430,120
Loss before taxation	(706,430)	(185,960)
Loss for the year attributable to owners of LCR	(683,698)	(146,420)

The LCR Group recorded a consolidated loss attributable to shareholders of approximately HK\$684 million for 2024, as compared to a consolidated loss of approximately HK\$146 million for 2023. The increase in loss was mainly attributable to the net fair value loss on the financial instruments at fair value through profit or loss of approximately HK\$63 million, provision for impairment losses on fixed assets of approximately HK\$80 million and litigation settlement of



approximately HK\$386 million. Further information with respect to LCR's financial information is set out in Appendix III to the Scheme Document and the 2024 annual report of LCR.

The Group has streamlined its portfolio to focus on food businesses mainly generated by LCR, as a core driver of revenue. Along with its property investment and development revenue mainly from its commercial properties in Hong Kong and Mainland China, the Group (through LCR) also engaged in other operating segments including securities investment which involves securities that are held for trading and for long-term strategic purposes, treasury investment in money markets and healthcare services including the provision of healthcare management services. Other projects of the Group include mineral exploration and extraction, the provision of property and project management services, and investment in a closed-end fund.

Except for the HKC Share Distribution, the Group did not declare any dividend for the financial years ended 31 December 2022, 2023 and 2024. LCR declared an interim dividend for the first half of 2022 but none for the second half of 2022, 2023 and 2024. HKC declared no dividend in respect of 2024.

(B) Financial position of the Group

The Group's Adjusted NAV prior to the Distribution amounted to approximately HK\$805 million, equivalent to approximately HK\$1.633 per Share as at 31 December 2024. The Group's Adjusted NAV after the Distribution amounted to approximately HK\$243 million, equivalent to approximately HK\$0.494 per Share as at 31 December 2024.

The table below sets out a summary of the unaudited pro forma adjusted consolidated NAV attributable to Shareholders prior to and after the Distribution:

Audited consolidated NAV attributable to Shareholders as at 31 December 2024 HK\$'million	Pro forma adjustments		Unaudited pro forma Adjusted NAV prior to the Distribution HK\$'million	Pro forma adjustment HK\$'million	Unaudited pro forma Adjusted NAV after the Distribution HK\$'million
	HK\$'million	HK\$'million			
6,982	(6,161)	(16)	805	(562)	243
Unaudited pro forma adjusted consolidated net asset value attributable to Shareholders per Share					
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
14.158	(12.493)	(0.032)	1.633	(1.139)	0.494



Details of the pro forma financial information of the Group are set out in the paragraph headed “Pro Forma Statement of Adjusted NAV” under the section headed “2. TERMS OF THE PROPOSAL” in the Explanatory Memorandum to the Scheme Document. The assurance report from the independent reporting accountants on the compilation of pro forma financial information is set out in Appendix V to the Scheme Document.

Our analysis on the NAV of the Company is set out in the paragraph headed “(iii). Historical discount of Share price to NAV” below.

4. Prospects of the Group and LCR, and the intention of the Offeror

The operating environment of the Group, including LCR, is challenging. A number of reasons are stated in the 2024 annual reports of the Group and LCR. Global growth is projected at 3.3% in 2025, which is below the historical average of 3.7%. Uncertainties in the global economy remain significant, with the risks tilted to the downside. Escalating trade protectionism and elevated geopolitical tensions may disrupt global trade and supply chains, potentially driving inflation higher and dampening economic activities. The growth in Gross Domestic Product (“GDP”) in Mainland China is expected to moderate on account of a slowdown in investment growth and exports due to tariff hikes and industrial overcapacity. The Ministry of Trade and Industry in Singapore maintained its GDP growth forecast for 2025 at 1.0% to 3.0%. Amid the challenging operating environment, according to the Company’s 2024 annual report, the Group will continue to manage its businesses and monitor its assets and investments cautiously and exercise prudent capital management.

In terms of the food businesses of LCR, the operating environment as a whole remained challenging. According to the press releases published by the Ministry of Trade and Industry of Singapore dated 14 February 2025 and 22 May 2025, the food and beverage services sector in Singapore contracted by 0.9% in 2024, partly due to locals shifting their spending to overseas travel destinations, a pullback from the 5.6% expansion in 2023; while in the first quarter of 2025, the sector shrank by 0.2% year-on-year. For the Hong Kong market, there has been a significant rise in the number of Hong Kong residents making short-stay trips to the Greater Bay Areas or overseas, particularly during weekends and holidays. Such challenging market conditions were intensified by high operating costs, outbound spending and weak consumption in Hong Kong. For the property investment segment of the Group, while the Hong Kong economy recorded a moderate growth for 2024, demand for office properties remained weak.

The Offeror intends to continue the existing business of the Group and does not intend to introduce significant changes to the existing operations and/or disposal or redeployment of assets of the Group. It is also the intention of the Offeror that there will not be significant changes in the management and employees of the Group as a result of the Proposal. The Offeror will continue to monitor all business opportunities as they arise from time to time. The Offeror intends for the Company to withdraw the listing of the Shares on the Hong Kong Stock Exchange upon the Scheme being effective.



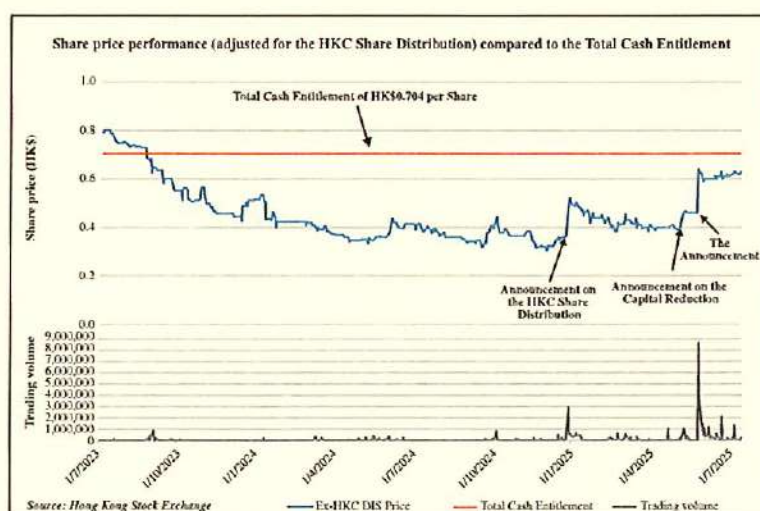
5. Historical price performance of the Shares

(i) Share price performance compared to the Total Cash Entitlement by electing the Cash Alternative and total entitlement by electing the Scrip Alternative

The charts below illustrate the daily closing price per Share from 1 July 2023 up to and including the Latest Practicable Date (the “Review Period”) adjusted for the HKC Share Distribution (the “Ex-HKC DIS Price”) as sourced from the website of the Hong Kong Stock Exchange, and set out a comparison of the Ex-HKC DIS Price with the Total Cash Entitlement by electing the Cash Alternative and the total entitlement by electing the Scrip Alternative, respectively. We consider the Review Period, which covers around two years, can provide a comprehensive overview of the market performance of the Shares for the purpose of this analysis.

Total Cash Entitlement by electing the Cash Alternative:

Based on the Scheme Consideration of HK\$0.14 per Scheme Share and Cash Alternative Amount of HK\$0.564 per Share, the value of the Total Cash Entitlement by electing the Cash Alternative amounts to HK\$0.704 per Share.



During the Review Period, the Ex-HKC DIS Price closed between HK\$0.307 to HK\$0.801 per Share. The closing Share prices showed a downward trend in general from the beginning of the Review Period up to 27 December 2024, when the Company announced the HKC Share Distribution after trading hours. The Shares price surged by approximately 37.8% and closed at HK\$0.503 per Share on the next trading day of 30 December 2024.



On 9 May 2025 (after trading hours), the Company published the announcement on the Capital Reduction. According to such announcement, after the Capital Reduction, the Company will have greater flexibility to undertake corporate exercises and/or declare distributions or dividends, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Share price closed at HK\$0.46 per Share on the next trading day of 12 May 2025, representing an increase of approximately 9.5% from the closing Share price of HK\$0.42 on 9 May 2025. We consider this increase may have been influenced by expectations that the ground work was being laid for a significant transaction.

The Shares closed at HK\$0.46 on 16 May 2025 (i.e. the Last Trading Date) and trading in the Shares was suspended from 9:00 a.m. on 19 May 2025. The Announcement was published after trading hours on 28 May 2025 and trading in the Shares was resumed on 29 May 2025. The Shares closed at HK\$0.64 on 29 May 2025, representing an increase of approximately 39.1% compared to the closing Share price of HK\$0.46 on the Last Trading Date. Following the Announcement, we consider the closing prices of the Shares have been largely determined by the Proposal. The Shares closed at HK\$0.63 as at the Latest Practicable Date.

Since 24 August 2023, the Ex-HKC DIS Price has been consistently below the Total Cash Entitlement of HK\$0.704 per Share, even after the surge in Share prices after the Company announced the HKC Share Distribution on 27 December 2024, the Capital Reduction on 9 May 2025 and the Proposal on 28 May 2025 (all after trading hours). During the Review Period, over 92% of the trading days showed closing Share prices below the Total Cash Entitlement.

The Total Cash Entitlement of HK\$0.704 per Share represents:

- (a) a premium of approximately 53.04% over the closing price of HK\$0.460 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 52.05% over the average closing price of approximately HK\$0.463 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 62.96% over the average closing price of approximately HK\$0.432 per Share as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 71.22% over the average closing price of approximately HK\$0.411 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Date;



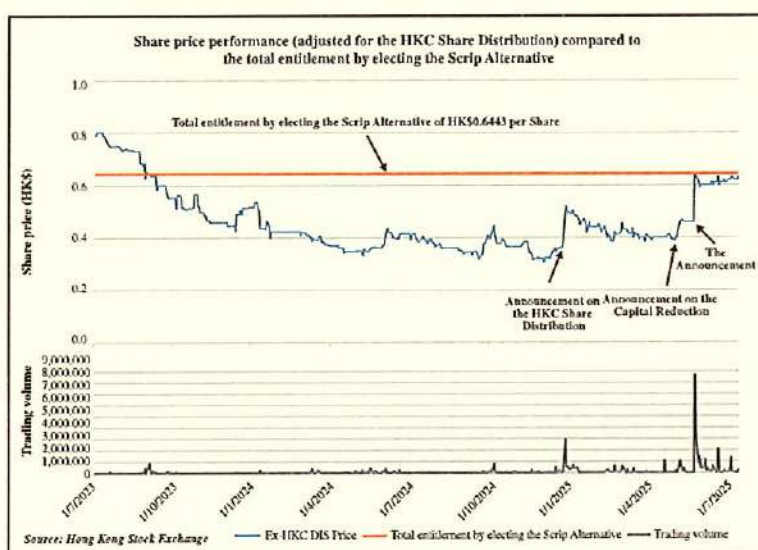
- (e) a premium of approximately 70.80% over the average closing price of approximately HK\$0.412 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 64.16% over the average closing price of approximately HK\$0.429 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Date; and
- (g) a premium of approximately 79.04% over the average closing price of approximately HK\$0.393 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Date.

On the Last Trading Date and different periods before and up to the Last Trading Date as set out in items (a) to (g) above, the Total Cash Entitlement per Share represents premia of about 52.05% to 79.04% over the closing Share price.

The Total Cash Entitlement of HK\$0.704 per Share also represents a premium of approximately 11.75% over the closing Share price of HK\$0.63 per Share on the Latest Practicable Date, which we consider has been substantially influenced by the Announcement.

Total entitlement by electing the Scrip Alternative:

Based on the closing price of HK\$0.820 per LCR Share as quoted on the Hong Kong Stock Exchange on the Last Trading Date, the value of the total entitlement by electing the Scrip Alternative amounts to HK\$0.6443 per Share (which is calculated based on the closing price of HK\$0.820 per LCR Share on the Last Trading Date multiplied by the Distribution ratio of 0.615 and plus the Scheme Consideration of HK\$0.14 per Scheme Share).





Total entitlement under the Scrip Alternative of HK\$0.6443 per Share represents:

- (a) a premium of approximately 40.07% over the closing price of HK\$0.460 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 39.16% over the average closing price of approximately HK\$0.463 per Share as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 49.14% over the average closing price of approximately HK\$0.432 per Share as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 56.70% over the average closing price of approximately HK\$0.411 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 56.32% over the average closing price of approximately HK\$0.412 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 50.24% over the average closing price of approximately HK\$0.429 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Date; and
- (g) a premium of approximately 63.85% over the average closing price of approximately HK\$0.393 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Date.

The total entitlement by electing the Scrip Alternative of HK\$0.6443 per Share (based on closing price of LCR Shares on the Last Trading Date) represents premia of about 39.16% to 63.85% over the closing Share price on the Last Trading Date and different periods before and up to the Last Trading Date as set out in items (a) to (g) above.



Based on the closing price of HK\$0.71 per LCR Share on the Latest Practicable Date, the value of the total entitlement by electing the Scrip Alternative amounts to HK\$0.5767 per Scheme Share (which is calculated based on the closing price of HK\$0.71 per LCR Share on the Latest Practicable Date multiplied by the Distribution ratio of 0.615 and plus the Scheme Consideration of HK\$0.14 per Scheme Share). This total entitlement of HK\$0.5767 per Share represents a discount of approximately 8.46% to the closing Share price of HK\$0.63 per Share on the Latest Practicable Date. The value of the Scrip Alternative Share will change from time to time depending on the market price of the LCR Shares.

Summary:

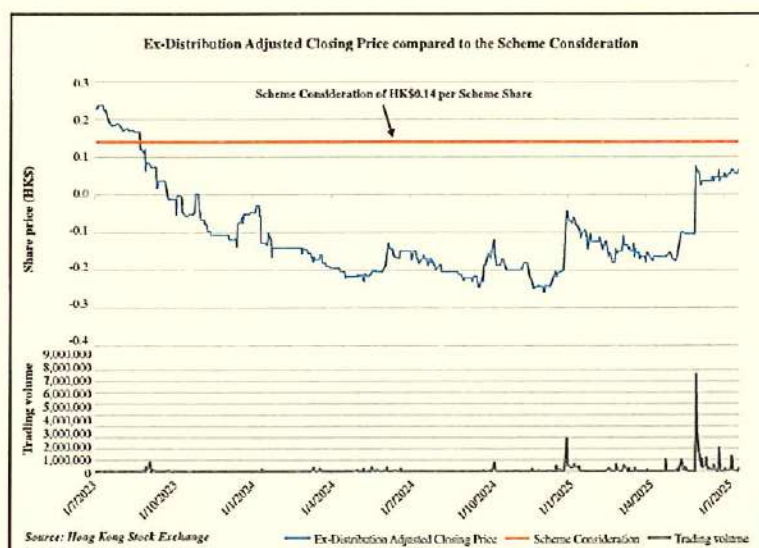
As set out above, on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date, (i) the Total Cash Entitlement by electing the Cash Alternative of HK\$0.704 per Share represents premia of about 52.05% to 79.04% over the closing Share price; and (ii) the total entitlement by electing the Scrip Alternative of approximately HK\$0.6443 per Share (based on closing price of LCR Shares on the Last Trading Date) represents premia of about 39.16% to 63.85% over the closing Share price. We consider the premia over the Share prices during the periods before and up to the Last Trading Date represents a favourable factor for the Disinterested Shareholders. If the Proposal is not approved, the Share prices may return to the levels before publication of the Announcement. Under the Takeovers Code, another offer for the Company cannot be made by the Offeror nor any person who acted in concert with it within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses. Owing to Lippo Capital controlling approximately 74.98% of the Company, we consider it unlikely that any alternative proposal(s) on more attractive terms will emerge.



(ii) *Theoretical Ex-Distribution Adjusted Closing Price compared to the Scheme Consideration*

The chart below illustrates a comparison of the theoretical Ex-Distribution Adjusted Closing Price with the Scheme Consideration of HK\$0.14 per Scheme Share. The theoretical Ex-Distribution Adjusted Closing Price is calculated by deducting the market value of the Distribution of HK\$0.564 per Share (VWAP per LCR Share of HK\$0.9167 * 0.615 LCR Shares), which is based on the Cash Alternative Amount, from the closing price of the Shares. For example, the Ex-Distribution Adjusted Closing Price as at the Last Trading Date of negative HK\$0.104 is calculated by:

*Company's closing price per Share as at the Last Trading Date of HK\$0.46 — market value of the Distribution of HK\$0.564 per Share (VWAP per LCR Share of HK\$0.9167 * 0.615 LCR Shares)*



Since 25 September 2023 until the Last Trading Date on 16 May 2025 (except 27 and 30 October 2023), the Ex-Distribution Adjusted Closing Price has been a negative number because the market value of the LCR Shares Scheme Shareholders will receive pursuant to the Distribution has exceeded the market value of the Shares. This illustrates the so-called “holding company discount”.



After publication of the Announcement on 28 May 2025 (after trading hours), the closing Share price increased by approximately 39.1% on 29 May 2025 compared to the closing Share price on the Last Trading Date. We consider the Share prices after publication of the Announcement have been substantially influenced by the Proposal. The Ex-Distribution Adjusted Closing Prices ranged from approximately HK\$0.026 to HK\$0.076 after publication of the Announcement up to the Latest Practicable Date.

The Scheme Consideration of HK\$0.14 per Scheme Share represents:

- (a) a premium of approximately HK\$0.244 over the Ex-Distribution Adjusted Closing Price of negative HK\$0.104 per Share on the Last Trading Date;
- (b) a premium of approximately HK\$0.241 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Date of negative HK\$0.101 per Share;
- (c) a premium of approximately HK\$0.272 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including the Last Trading Date of negative HK\$0.132 per Share;
- (d) a premium of approximately HK\$0.293 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Date of negative HK\$0.153 per Share;
- (e) a premium of approximately HK\$0.292 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Date of negative HK\$0.152 per Share;
- (f) a premium of approximately HK\$0.275 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Date of negative HK\$0.135 per Share; and
- (g) a premium of approximately HK\$0.311 over the average Ex-Distribution Adjusted Closing Price as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Date of negative HK\$0.171 per Share.

The Scheme Consideration per Scheme Share represents premia of about HK\$0.241 to HK\$0.311 over the Ex-Distribution Adjusted Closing Price on the Last Trading Date and different periods before and up to the Last Trading Date as set out in items (a) to (g) above.



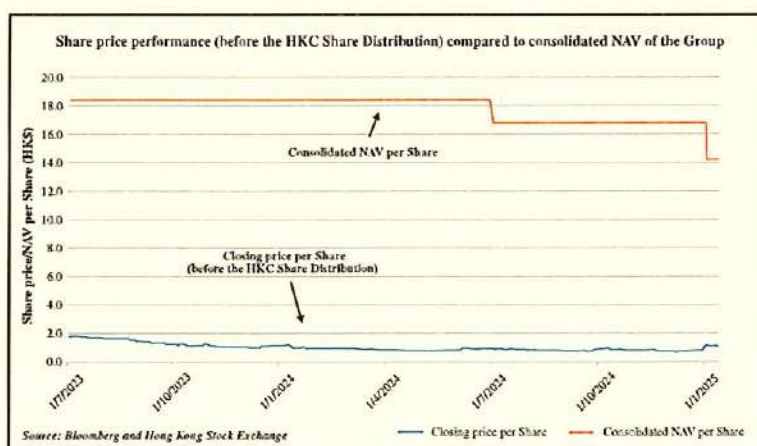
On the Latest Practicable Date, the Scheme Consideration of HK\$0.14 per Scheme Share represents a premium of approximately HK\$0.074 over the Ex-Distribution Adjusted Closing Price.

Summary:

Each Scheme Shareholder will receive (i) the Scheme Consideration under the Scheme; and (ii) the Scrip Alternative Shares or the Cash Alternative Amount (as elected by the Scheme Shareholder) under the Distribution, and there will not be a situation where the Scheme Shareholders will only receive one but not the other. We consider the former comparison “(i) Share price performance compared to the Total Cash Entitlement by electing the Cash Alternative and total entitlement by electing the Scrip Alternative” as the more relevant as in our view the two elements (being the Scheme Consideration and the Scrip Alternative/Cash Alternative under the Distribution) of the Proposal are a package. The premia on comparison “(ii) Theoretical Ex-Distribution Adjusted Closing Price compared to the Scheme Consideration” are expressed in dollar terms rather than percentages as the market price turns negative before publication of the Announcement when adjusted for the Distribution on a conventional basis. On either view, in our opinion the premia reflected in the Proposal on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date as set out above are favourable to the Disinterested Shareholders.

(iii) Historical discount of Share price to NAV

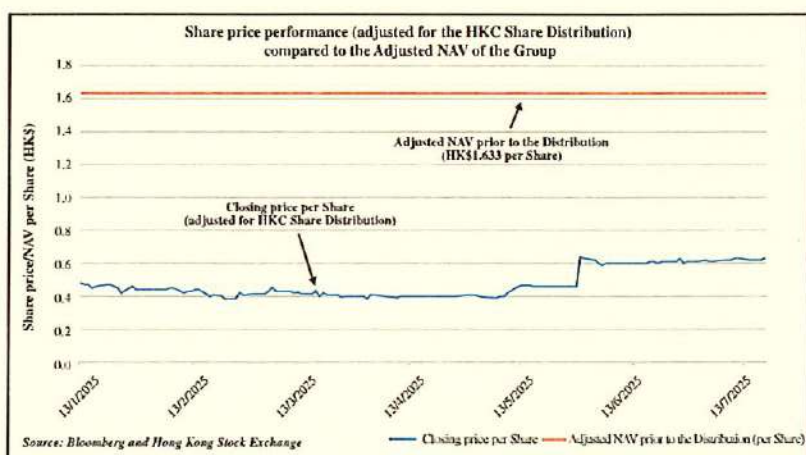
The chart below illustrates the comparison of the Share price before adjustment for the HKC Share Distribution and the consolidated NAV of the Group from the beginning of the Review Period up to 10 January 2025 (being the last trading day before the ex-entitlement date of 13 January 2025 for the HKC Share Distribution). The Company reports its consolidated NAV per Share by way of interim and annual results announcements twice a year.





As shown in the chart above, from the beginning of the Review Period up to 10 January 2025, the Share price traded at a persistent deep discount to the consolidated NAV of the Group, ranging from approximately 90.2% to 95.9%, with an average of around 94.3%.

The chart below illustrates the comparison of the Share price after adjustment for the HKC Share Distribution and the Adjusted NAV prior to the Distribution of the Group from the ex-entitlement date of 13 January 2025 for the HKC Share Distribution up to and including the Latest Practicable Date (the “Ex-Distribution Review Period”).



During the Ex-Distribution Review Period, the Share price traded at a discount to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share, ranging from approximately 60.8% to 76.4%, with an average of around 70.7%.

Cash Alternative

The Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative represents a discount of approximately 56.9% to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share. This discount is lower than the historical average trading discount of the Shares to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share during the Ex-Distribution Review Period set out above of approximately 70.7%.

Scrip Alternative

The total entitlement of HK\$0.6443 per Share by electing the Scrip Alternative (based on the closing price of LCR Shares on the Last Trading Date) represents a discount of approximately 60.5% to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share. This discount is lower than the historical average trading discount of the Shares to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share during the Ex-Distribution Review Period set out above of approximately 70.7%.



Disinterested Shareholders should note that the value attributable to the LCR Shares under the Scrip Alternative will vary depending on the market price of the LCR Shares from time to time. Accordingly, the abovementioned discount of approximately 60.5% will also vary. Based on the closing price of LCR Shares on the Latest Practicable Date, the amount of total entitlement by electing the Scrip Alternative is approximately HK\$0.5767 and its discount to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share is approximately 64.7%. This discount is lower than the historical average trading discount of the Shares to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share during the Ex-Distribution Review Period set out above of approximately 70.7%.

Summary

Set out below is a summary of the abovementioned discounts of the entitlement to be received by the Scheme Shareholders under the Cash Alternative or Scrip Alternative to the Adjusted NAV prior to the Distribution:

	Cash Alternative	Scrip Alternative	Scrip Alternative
Entitlement per Share	0.704	0.6443 <i>(based on closing price of LCR Shares on the Last Trading Date)</i>	0.5767 <i>(based on closing price of LCR Shares on the Latest Practicable Date)</i>
Compared with: Adjusted NAV prior to the Distribution (per Share)	1.633	1.633	1.633
Discount	(56.9)%	(60.5)%	(64.7)%
<i>Historical trading discount of the Shares to the Adjusted NAV prior to the Distribution during the Ex-Distribution Review Period:</i>			
<i>Maximum</i>			(76.4)%
<i>Minimum</i>			(60.8)%
<i>Average</i>			(70.7)%



As set out in the table above, the discounts to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share represented by the total entitlement to be received by the Scheme Shareholders under the Cash Alternative of approximately 56.9%; and under the Scrip Alternative of approximately 60.5% based on closing price of LCR Shares on the Last Trading Date and approximately 64.7% based on closing price of LCR Shares on the Latest Practicable Date, respectively, are all lower than the historical average trading discount of the Shares to the Adjusted NAV prior to the Distribution during the Ex-Distribution Review Period of approximately 70.7%.

The Distribution allows the Scheme Shareholders to elect either the Cash Alternative or the Scrip Alternative. Those Shareholders who prefer to stay with the potential prospects and substantial net assets base of LCR, may consider electing the Scrip Alternative. According to the Scheme Document, the attributable net asset backing per Share of the Distributable LCR Shares as at 31 December 2024 is HK\$1.139 per Share (by reference to the Pro forma Statement of Adjusted NAV as at 31 December 2024). Including the Scheme Consideration of HK\$0.14 per Scheme Share, this amounts to total asset backing of approximately HK\$1.279 per Share by electing the Scrip Alternative. Such total asset backing of approximately HK\$1.279 per Share, when compared to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share, represents a discount of approximately 21.7%, which is lower than the discount of the Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share of approximately 56.9% as set out above.

Under the Proposal, there will not be a situation where the Scheme Shareholders will only receive the Scheme Consideration but not their entitlements under the Distribution (either cash or scrip), and vice versa. For illustration purpose, the Scheme Consideration of HK\$0.14 per Scheme Share represents a discount of approximately 71.7% to the Adjusted NAV after the Distribution of approximately HK\$0.494 per Share as at 31 December 2024. Such discount is slightly higher than the average historical trading discount of the Shares during the Ex-Distribution Review Period as set out above of approximately 70.7%.



6. Trading liquidity

The Company

Set out in the table below are the average daily trading volumes of the Shares and the percentages of such average daily trading volumes to the total issued Share capital and the public float of the Company during the Review Period.

	Average daily trading volume of the Shares (Note 1)	Number of trading days	Percentage of the average daily trading volume of the Shares to the total issued Share capital (Note 2)	Percentage of the average daily trading volume of the Shares to public float of the Company (Note 2)
2023				
July	7,512	20	0.0015%	0.0061%
August	31,870	23	0.0065%	0.0261%
September	73,419	19	0.0149%	0.0600%
October	6,450	20	0.0013%	0.0053%
November	3,978	22	0.0008%	0.0033%
December	6,962	19	0.0014%	0.0057%
2024				
January	12,811	22	0.0026%	0.0105%
February	2,382	19	0.0005%	0.0019%
March	47,460	20	0.0096%	0.0388%
April	21,050	20	0.0043%	0.0172%
May	66,048	21	0.0134%	0.0540%
June	49,117	19	0.0100%	0.0402%
July	13,678	22	0.0028%	0.0112%
August	4,491	22	0.0009%	0.0037%
September	17,589	19	0.0036%	0.0144%
October	62,047	21	0.0126%	0.0507%
November	27,833	21	0.0056%	0.0228%
December	225,568	20	0.0457%	0.1844%
2025				
January	213,731	19	0.0433%	0.1747%
February	93,489	20	0.0190%	0.0764%
March	107,110	21	0.0217%	0.0876%
April	74,809	19	0.0152%	0.0612%
May	752,165	20	0.1525%	0.6149%
June	539,717	21	0.1094%	0.4412%
From 1 July 2025 to the Latest Practicable Date	204,142	13	0.0414%	0.1669%

Notes:

1. *Source: Bloomberg*
2. The calculation is based on the average daily trading volume of the Shares divided by the total issued Share capital of the Company or the total number of the Shares in public float at the end of each month (or as at the Latest Practicable Date for July 2025).



From the table above, which outlines the average daily trading volume as a percentage of the total issued Shares and as a percentage of the public float respectively, we note that the average daily trading volume of the Shares has been thin, especially before the publication of announcement with respect to the HKC Share Distribution in December 2024. From July 2023 to November 2024, the average daily trading volume of Shares represented (a) around 0.0005% to 0.0149% of the total issued Shares; and (b) around 0.0019% to 0.0600% of the public float of the Company.

The publication of the announcement with respect to the HKC Share Distribution after trading hours on 27 December 2024 heightened trading volume to 2,918,840 Shares on the next trading day (i.e. 30 December 2024). The average daily trading volume of Shares in December 2024 represented 0.0457% of the total issued Shares and approximately 0.1844% of the public float. The average daily trading volume of Shares, although still higher than those before the announcement with respect to the HKC Share Distribution, slightly decreased in January to April 2025.

The Company announced the Capital Reduction after trading hours on 9 May 2025. On the next trading day of 12 May 2025, trading volume went up to 1,048,000 Shares. Trading of the Shares was suspended on 19 May 2025 and resumed on 29 May 2025. The Announcement was published on 28 May 2025 (after trading hours) and the trading volume heightened to 8,652,300 Shares on the first day of resumption of trading (i.e. 29 May 2025). The average daily trading volume of Shares accounted for around 0.1525% of the total issued Shares and approximately 0.6149% of the public float in May 2025.

From 1 June 2025 to the Latest Practicable Date, the average daily trading volume represented (a) around 0.0414% to 0.1094% of the total issued Shares; and (b) around 0.1669% to 0.4412% of the public float.

Given the thin liquidity of Shares, if Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume following the publication of the Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Proposal provides a valuable opportunity for the Scheme Shareholders to realise their shareholdings in the Company at a premium over historical Share prices for different recent periods before and up to the Last Trading Date, and over the closing Share price on the Latest Practicable Date (under the Cash Alternative).



LCR

Set out in the table below are the average daily trading volumes of LCR Shares and the percentages of such average daily trading volumes to the total issued share capital and the public float of LCR during the Review Period.

	Average daily trading volume of LCR Shares (Note 1)	Number of trading days	Percentage of the average daily trading volume of LCR Shares to the total issued share capital of LCR (Note 2)	Percentage of the average daily trading volume of LCR Shares to public float of LCR (Note 2)
2023				
July	77,220	20	0.008%	0.034%
August	60,148	23	0.007%	0.026%
September	574,138	19	0.062%	0.250%
October	40,630	20	0.004%	0.018%
November	17,006	22	0.002%	0.007%
December	51,074	19	0.006%	0.022%
2024				
January	74,299	22	0.008%	0.032%
February	86,116	19	0.009%	0.038%
March	349,714	20	0.038%	0.152%
April	27,180	20	0.003%	0.012%
May	114,353	21	0.012%	0.050%
June	42,200	19	0.005%	0.018%
July	58,963	22	0.006%	0.026%
August	122,234	22	0.013%	0.053%
September	533,305	19	0.058%	0.232%
October	37,134	21	0.004%	0.016%
November	12,657	21	0.001%	0.006%
December	49,115	20	0.005%	0.021%
2025				
January	33,008	19	0.004%	0.014%
February	185,108	20	0.020%	0.081%
March	317,477	21	0.035%	0.138%
April	14,305	19	0.002%	0.006%
May	20,190	20	0.002%	0.009%
June	75,391	21	0.008%	0.033%
From 1 July 2025 to the Latest Practicable Date	69,977	13	0.008%	0.030%

Notes:

1. Source: Bloomberg
2. The calculation is based on the average daily trading volume of LCR Shares divided by the total issued share capital of LCR or the total number of LCR Shares in public float at the end of each month (or as at the Latest Practicable Date for July 2025).



Based on the table above, in our view the liquidity of LCR Shares was generally thin during the Review Period, with average daily trading volume of LCR Shares representing (a) around 0.001% to 0.062% of the total issued shares of LCR; and (b) around 0.006% to 0.250% of the public float of LCR during the Review Period.

When considering whether to elect the Scrip Alternative, Disinterested Shareholders are reminded that the trading volume of LCR Shares has been generally thin as demonstrated in the table above. If Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of LCR Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the LCR Shares.

Should the Scheme Shareholders elect the Scrip Alternative, the public float of LCR Shares will increase to the extent that the Scrip Alternative is elected. Assuming all Scheme Shareholders elect the Scrip Alternative, the public float of the LCR Shares would increase by approximately 8.25 percentage points, from approximately 25.01% to 33.26%. For reference, following the HKC Share Distribution, the proportion of HKC Shares held by the public shareholders increased from approximately 25.9% to 40.7% of the total issued shares of HKC, hence improving liquidity of HKC Shares. However, in the HKC Share Distribution, there was no cash alternative so a significant increase in the public float of HKC was guaranteed. This is not the case with the Distribution.

7. Privatisation Precedents

To assess the fairness and reasonableness of the Total Cash Entitlement by electing the Cash Alternative/total entitlement by electing the Scrip Alternative, we have researched all privatisation proposals, which involve a cash alternative as cancellation consideration, of companies listed on the Main Board of the Hong Kong Stock Exchange that were announced and completed during the period since 1 July 2023 and up to the date immediately prior to the Latest Practicable Date (the “**Privatisation Precedents**”). In our view, the Privatisation Precedents represent an exhaustive list identified from the website of the Hong Kong Stock Exchange based on the above selection criteria.

Although the companies listed below may have different principal activities, market capitalisation, financial performance and financial position as compared with those of the Company, we consider that the Privatisation Precedents, involving companies listed on the Main Board of the Hong Kong Stock Exchange, in particular the comparison of the cancellation consideration with share prices, can provide a comprehensive overview of the market trend of the pricing of this type of transaction in the Hong Kong equity capital market and of the acceptable premium range over share prices that disinterested shareholders are willing to accept for tendering their shares in a privatisation transaction.



The table below illustrates the premiums/discounts represented by the cancellation consideration over/to the respective last trading day, respective last 5, 10, 30, 60, 90 and 180 trading days average share prices and respective latest NAV/adjusted NAV per share in respect of the privatisation proposals:

Date of initial announcement (Note 2)	Company name (stock code)	Last full trading day (Note 3)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over (Note 1)						Premium or (discount) represented by offer/cancellation price over/to latest NAV/adjusted NAV per share (Note 5)
			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)	180- trading day (Note 4)	
27 December 2024	Vesync Co., Ltd (2148)	33.3%	34.4%	37.3%	44.4%	36.1%	36.4%	24.3%	122.3%
19 December 2024	Pentamaster International Limited (1665)	25.0%	49.3%	53.6%	52.7%	50.2%	51.0%	43.5%	32.6%
10 December 2024	Fosun Tourism Group (1992)	95.0%	112.1%	112.7%	111.2%	110.3%	112.5%	107.0%	(27.4)%
22 November 2024	Ronshine Service Holding Co., Ltd (2207)	15.4%	9.1%	1.7%	(6.3)%	1.7%	(6.5)%	(13.0)%	(53.5)%
28 October 2024	Beijing Capital Grand Limited (1329)	46.6%	54.6%	55.1%	41.8%	47.9%	65.4%	57.3%	(53.8)%
14 October 2024	CM Hi-Tech Cleanroom Limited (2115)	25.0%	23.8%	26.9%	30.2%	39.7%	41.2%	38.1%	(3.2)%
2 September 2024	Doyen International Holdings Limited (668)	78.6%	81.4%	82.3%	81.4%	86.2%	112.9%	92.3%	(39.3)%
22 July 2024	Canvest Environmental Protection Group Company Limited (1381)	11.6%	12.6%	13.0%	16.9%	19.8%	21.0%	23.1%	21.6%
16 July 2024	Samson Holding Ltd. (531)	77.8%	86.8%	105.4%	150.1%	186.7%	184.5%	150.6%	(47.1)%
19 June 2024	Asia Standard Hotel Group Limited (292)	52.8%	48.6%	41.0%	57.1%	71.9%	71.9%	48.7%	(98.6)%
12 June 2024	A8 New Media Group Limited (800)	162.8%	159.0%	168.7%	185.7%	185.7%	174.8%	126.4%	(48.1)%
7 June 2024	CPMC Holdings Limited (906)	4.9%	5.6%	5.8%	6.8%	5.7%	5.4%	9.5%	26.7%
27 May 2024	Huafa Property Services Group Company Limited (982) ("Huafa Property")	30.6%	36.8%	40.1%	70.6%	82.4%	88.3%	104.2%	970.1%
13 May 2024	ESR Group Limited (1821)	55.7%	58.2%	58.1%	54.0%	40.8%	35.0%	26.0%	(1.2)%
29 April 2024	L'Occitane International S.A. (973)	30.8%	36.1%	40.6%	49.9%	60.8%	60.5%	53.8%	593.5%
18 April 2024	Kin Yat Holdings Limited (638)	33.3%	43.4%	47.3%	51.5%	53.6%	55.9%	72.1%	(57.4)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	33.9%	36.0%	36.2%	47.5%	47.9%	48.7%	67.1%	228.4%
9 February 2024	IntelliCentrics Global Holdings Ltd. (6819)	20.5%	20.4%	19.3%	13.6%	11.4%	10.7%	(4.4)%	N/A
26 January 2024	Bank of Jinzhou Co., Ltd. (416)	0.0%	(0.6)%	(1.0)%	0.3%	15.4%	34.8%	36.5%	(71.9)%
14 December 2023	Sinsoft Technology Group Limited (1297)	29.4%	30.4%	31.2%	31.1%	22.5%	15.0%	14.2%	(78.9)%
4 December 2023	Weiqiao Textile Company Limited (2698)	104.7%	104.9%	102.7%	111.1%	142.9%	147.5%	144.9%	(78.3)%
28 November 2023	CIMC Vehicles (Group) Co., Ltd. (1839)	16.5%	17.9%	21.0%	25.4%	19.1%	15.9%	12.6%	(6.3)%



Date of initial announcement (Note 2)	Company name (stock code)	Last full trading day (Note 3)	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over (Note 1)					180- trading day (Note 4)	Premium or (discount) represented by offer/cancellation price over/to latest NAV/adjusted NAV per share (Note 5)
			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)		
20 November 2023	Vinda International Holdings Limited (3331)	20.1%	19.7%	21.4%	21.3%	25.7%	29.2%	22.0%	145.2%
6 October 2023	Haitong International Securities Group Limited (665)	114.1%	111.1%	108.2%	126.5%	122.2%	124.5%	110.5%	(39.3)%
6 October 2023	Pine Care Group Limited (1989)	(1.1)%	0.7%	0.9%	1.5%	8.9%	22.9%	43.8%	(7.9)%
15 September 2023	Lansen Pharmaceutical Holdings Limited (503)	26.8%	24.1%	22.5%	20.0%	15.4%	20.8%	23.3%	22.1%
1 September 2023	CST Group Limited (985)	61.3%	24.4%	21.4%	36.6%	(1.4)%	(14.9)%	(33.8)%	(60.7)%
	Highest	162.8%	159.0%	168.7%	185.7%	186.7%	184.5%	150.6%	970.1%
	Lowest	(1.1)%	(0.6)%	(1.0)%	(6.3)%	(1.4)%	(14.9)%	(33.8)%	(98.6)%
	Average	44.6%	46.0%	47.2%	53.1%	55.9%	58.0%	51.9%	53.4%
	Median	30.8%	36.0%	37.3%	44.4%	40.8%	41.2%	43.5%	(17.7)%
	The Company (226):								
	At Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative	53.04%	52.05%	62.96%	71.22%	70.80%	64.16%	79.04%	(56.9)%
	At total entitlement of HK\$0.6443 per Share by electing the Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date)	40.07%	39.16%	49.14%	56.70%	56.32%	50.24%	63.85%	(60.5)%
	At total asset backing of approximately HK\$1.279 per Share by electing the Scrip Alternative (Note 6)								(Discount) to the Adjusted NAV prior to the Distribution: (21.7)%

Source: Bloomberg and the website of the Hong Kong 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 (as applicable).
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. Details on calculation of the total asset backing of approximately HK\$1.279 per Share by electing the Scrip Alternative are set out in the paragraph headed "(iii) Historical discount of Share price to NAV" under the section headed "III. PRINCIPAL FACTORS AND REASONS CONSIDERED" above.
7. Subject to rounding difference.

On share price

Based on the table above, the average premium and median premium of the Privatisation Precedents over the (average) closing price on the last trading day, and for last 5, 10, 30, 60, 90 and 180 trading days range from approximately 44.6% to 58.0% and approximately 30.8% to 44.4% respectively.

The premia represented by the Total Cash Entitlement of HK\$0.704 per Share (by electing the Cash Alternative) over the (average) closing price on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date range from about 52.05% to 79.04%, which are higher than both the average and median premiums of the Privatisation Precedents of the respective period set out above.

The premia represented by the total entitlement by electing the Scrip Alternative of HK\$0.6443 per Share (based on the closing price of LCR Share as at the Last Trading Date) over the (average) closing price on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date range from about 39.16% to 63.85%, which are higher than (a) the median premium of the Privatisation Precedents of the respective period; and (b) the average premia over the average closing price for last 10, 30, 60 and 180 trading days of the Privatisation Precedents set out in the table above. The value of the Scrip Alternative Share will change depending on the market price of the LCR Shares from time to time.



On NAV

For the average premium/discount of the Privatisation Precedents over their respective NAV, the average premium of approximately 53.4% compared to the median discount of approximately 17.7% is mainly due to the exceptionally high premium of approximately 970.1% over the NAV offered in the case of Huafa Property. As such the median discount to NAV of approximately 17.7% may offer fairer analysis compared to the average premium of the Privatisation Precedents over their respective NAV.

The discounts to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share represented by (a) the Total Cash Entitlement under the Cash Alternative of approximately 56.9%; and (b) the total entitlement under the Scrip Alternative (based on closing share price of LCR on the Last Trading Date) of approximately 60.5%, are both higher than the median discount to NAV of the Privatisation Precedents of approximately 17.7%.

The total asset backing of approximately HK\$1.279 per Share by electing the Scrip Alternative represents a discount of approximately 21.7% to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share, which is higher than the median discount to NAV of the Privatisation Precedents of approximately 17.7% by 4 percentage points.

Nevertheless, the companies involved in the Privatisation Precedents may have different principal activities, and may vary between asset-heavy and asset-light models resulting in different trading discount/premium to their respective NAV. As such the analysis in this section should not be considered on an isolated basis but should be taken into account in totality with other factors when considering the fairness of the Proposal. Our analysis on the NAV of the Company is set out in the paragraph headed “(iii) Historical discount of Share price to NAV” under the section headed “III. PRINCIPAL FACTORS AND REASONS CONSIDERED” above.

Summary

Having considered that (a) the Distribution ratio is fair and reasonable to the Disinterested Shareholders; (b) on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date, the Total Cash Entitlement under the Cash Alternative shows premia over market prices in a range from approximately 52.05% to 79.04%, and total entitlement under the Scrip Alternative shows premia over market prices of approximately 39.16% to 63.85%; (c) the discounts to the NAV represented by the total entitlement under the Cash Alternative or Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date and the Latest Practicable Date) are all lower than the historical average trading discount of the Shares during the Ex-Distribution Review Period of approximately 70.7%; (d) the Shares have not been actively traded which makes the opportunity of a full cash exit under the Proposal attractive for those Shareholders who may wish to sell; and (e) there is flexibility to elect either the Cash Alternative or the Scrip Alternative under the Distribution, despite the discounts represented by



the total entitlement under the Cash Alternative or the Scrip Alternative to the Adjusted NAV prior to the Distribution being higher than the median discount of the Privatisation Precedents, we consider the Proposal (including the Scheme and the Distribution) to be fair and reasonable.

After the HKC Share Distribution, the business activities of the Company are now mainly carried out by LCR. We performed a search on Bloomberg for comparable companies of the Company which are listed on the Main Board of the Hong Kong Stock Exchange with market capitalisation below HK\$300 million and principally engaged in the food business in Southeast Asia. Based on the above selection criteria, our search identified only one comparable company, K2 F&B Holdings Limited (stock code: 2108). Given the limited availability of comparable companies and the challenges in deriving meaningful valuation benchmarks from a single peer, we do not consider comparable companies analysis a meaningful tool and reliable basis for assessing the fairness of the total entitlement under the Proposal for privatising the Company.

IV. DISCUSSION

(i) The nature of the Company, its business, assets and liabilities

The Company is essentially a holding company which has borrowed to fund its holdings in its subsidiaries. Up to the end of 2024, the Company conducted operations through its two main subsidiaries, LCR and HKC. The remaining 2024 revenue of the Group, excluding those directly attributable to the LCR Group and the HKC Group, amounted only to approximately 0.3% of the 2024 total revenue of the Group when excluding those of the HKC Group. On the same basis, the assets held by the Company only amount to approximately 5.8% of total Group assets when excluding those of the HKC Group as at 31 December 2024. On the other hand, the Company has borrowings of HK\$790 million on standalone basis as at 31 December 2024 as set out above. Based on the borrowings of the Company of HK\$790 million and the Adjusted NAV after the Distribution of the Group of approximately HK\$243 million, we consider the gearing ratio of approximately 325.1% is high.

For the year of 2024, the Group recorded an attributable loss of approximately HK\$1,412 million, mainly due to the share of loss of joint ventures of approximately HK\$1,192 million from its investment in OUE, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. In 2024, the OUE Group shared loss of an investee whose business in Mainland China had been adversely impacted by the prevailing slow-down of the property market and the current economic environment in Mainland China. Food businesses segment of the Group, representing the business of LCR, recorded a segment loss of approximately HK\$35 million in 2024. LCR has continued to incur losses in 2024 of approximately HK\$684 million.



As announced on 27 December 2024, approximately 1.19 billion HKC Shares were distributed by the Company, representing approximately 80.76% of the HKC Shares held by the Company and 59.72% of the total issued share capital of HKC. This substantial distribution has significantly decreased the net assets of the Group, as it did a large distribution of assets without any corresponding reduction of the Company's liabilities. Following the completion of the HKC Share Distribution, the Company has retained about 284 million HKC Shares (approximately 14.23% of the total issued share capital of HKC), valued at approximately HK\$65 million as at the Last Trading Date. These HKC Shares are now held at market value as a non-current asset of the Company and the assets and liabilities of HKC are no longer consolidated in the accounts of the Group.

(ii) Factors affecting the size of the Distribution

The Group currently holds about 689 million LCR Shares (approximately 74.99% of the issued share capital of LCR). The proposed Distribution, based on a ratio of 615 LCR Shares for every 1,000 Shares, amounts to about 33.01% of the issued share capital of LCR and about 44.02% of the LCR Shares held by the Group. If the Distribution is completed and assuming all Scheme Shareholders elect the Scrip Alternative, the Company will retain about 386 million LCR Shares (about 41.98% of the issued share capital of LCR). However, because as in the case of HKC Share Distribution, the Distribution represents a decrease in assets without a corresponding reduction in liabilities, the Company's Adjusted NAV after the Distribution will be reduced to approximately HK\$243 million.

As mentioned above, the Company has minimal assets apart from its holding in LCR and its remaining 14.23% interest in HKC. On the other hand, it has significant liabilities, mostly borrowings of HK\$790 million as at 31 December 2024 (excluding the loan repaid prior to the HKC Share Distribution in the amount of HK\$120 million).

The only material security the Company can offer for borrowings is its remaining HKC Shares and LCR Shares and the only present material source of income to pay interest is dividends (if any) from HKC and LCR. Based on the borrowings of the Company of HK\$790 million as mentioned above and the Adjusted NAV after the Distribution of the Group of approximately HK\$243 million, we consider the gearing ratio of approximately 325.1% is high. Under the Distribution, a maximum of 303,289,730 LCR Shares with a market value of approximately HK\$249 million as at the Last Trading Date and approximately HK\$215 million as at the Latest Practicable Date will be distributed, which exceeds the adjusted net worth of the Group of approximately HK\$94 million and HK\$18 million before the Distribution (which, for illustrative purpose, would be the remaining value of the Company attributable to the Shareholders without the Distribution), as set out in the paragraph headed "2. The effects of the Proposal" under the section headed "III. PRINCIPAL FACTORS AND REASONS CONSIDERED" of this letter above. On this basis, the Directors consider, and we concur, that the Distribution ratio of 615 LCR Shares for every 1,000 Shares of the Company is fair and reasonable to the Disinterested Shareholders.



(iii) Total entitlement

The total entitlement consists of two elements, which form a package:

- (a) the Scheme Consideration of HK\$0.14 per Scheme Share; and
- (b) the Distribution based on 615 LCR Shares for every 1,000 Shares, receivable either
 - (i) in cash form (the Cash Alternative) in an amount of HK\$0.564 per Share,
or
 - (ii) in scrip form (the Scrip Alternative) on the above basis of 615 LCR Shares for every 1,000 Shares.

The Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative has been set based on multiplying the VWAP per LCR Share for the last 3 months ended on and including the Last Trading Date of HK\$0.9167 by the Distribution ratio of 615 LCR Shares for every 1,000 Shares, plus the Scheme Consideration of HK\$0.14 per Scheme Share.

Based on the closing price of HK\$0.820 per LCR Share on the Last Trading Date, the value of the total entitlement by electing the Scrip Alternative amounted to HK\$0.6443 per Share, which is calculated based on such closing price of HK\$0.820 per LCR Share multiplied by the Distribution ratio of 0.615 and plus the Scheme Consideration of HK\$0.14 per Scheme Share. The value of the Scrip Alternative Share will change depending on the market price of the LCR Shares. At the Latest Practicable Date, the closing price of LCR Shares was HK\$0.71, so the value of the Scrip Alternative Share amounted to HK\$0.4367 and the total entitlement by electing the Scrip Alternative amounted to HK\$0.5767.

Of the Total Cash Entitlement by electing the Cash Alternative and the total entitlement by electing the Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date), the Distribution represents approximately 78% to 80% by value, which is why we have discussed the reason for the size of the Distribution in some detail above.



(iv) Premiums over market price and theoretical Ex-Distribution Adjusted Closing Price

We have presented the premiums over market price and the theoretical adjusted market price which the Proposal offers on two bases, (a) comparing the recent market prices with the Total Cash Entitlement by electing the Cash Alternative and the total entitlement by electing the Scrip Alternative; and (b) comparing the theoretical market prices adjusted for the Distribution with the Scheme Consideration. We consider the former comparison (a) as more relevant as in our view the two elements of the Proposal are a package. The premia on comparison (b) are expressed in dollar terms rather than percentages as the market price of the Company turns negative before publication of the Announcement when adjusted for the Distribution on a conventional basis.

(a) Historical market price compared to the Total Cash Entitlement by electing the Cash Alternative and the total entitlement by electing the Scrip Alternative

A comparison of the Total Cash Entitlement by electing the Cash Alternative and the total entitlement by electing the Scrip Alternative with market Share prices on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date is set out above. Total Cash Entitlement per Share shows premia over market prices in a range from about 52.05% to 79.04%, and total entitlement under the Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date) shows premia of about 39.16% to 63.85% over market prices, which we consider attractive elements of the Proposal.

Based on the closing price of LCR Shares on the Latest Practicable Date, the total entitlement by electing the Scrip Alternative amounted to HK\$0.5767. This total entitlement represents a discount of approximately 8.46% to the closing price of HK\$0.63 per Share on the Latest Practicable Date.

(b) Theoretical adjusted market price compared to the Scheme Consideration

A comparison of Scheme Consideration with market prices adjusted for the Distribution is set out above. The Scheme Consideration per Scheme Share represents premia of about HK\$0.241 to HK\$0.311 over the theoretical Ex-Distribution Adjusted Closing Price on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date.

If the Proposal is not approved, the market price of the Shares can be expected in our view to return approximately to the levels before the publication of the Announcement. Under the Takeovers Code, a similar proposal cannot be made by Lippo Capital or its concert parties for at least 12 months if the Proposal lapses. As the Company is approximately 74.98% controlled by Lippo Capital, it is unlikely, in our view, that any alternative proposal(s) will emerge on more attractive terms than the Proposal (or at all).



(v) Comparison to the NAV

The Adjusted NAV prior to the Distribution is approximately HK\$1.633 per Share. This is based on the audited consolidated accounts of the Group at 31 December 2024 adjusted for the HKC Share Distribution, after which the Company now treats its remaining 14.23% interest in HKC as a non-current asset valued on a “marked to market” basis.

The Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative represents a discount of approximately 56.9% to the Adjusted NAV prior to the Distribution. The total entitlement of HK\$0.6443 per Share (based on closing price of LCR Shares on the Last Trading Date) and HK\$0.5767 per Share (based on closing price of LCR Shares on the Latest Practicable Date) by electing the Scrip Alternative represents a discount of approximately 60.5% and 64.7% to the Adjusted NAV prior to the Distribution, respectively.

As set out in the table under the paragraph headed “(iii) Historical discount of Share price to NAV” under the section headed “III. PRINCIPAL FACTORS AND REASONS CONSIDERED” of this letter above, the discounts represented by the total entitlement under the Cash Alternative or Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date and the Latest Practicable Date) are all lower than the historical average trading discount to the Adjusted NAV prior to the Distribution during the Ex-Distribution Review Period of approximately 70.7%.

The Distribution allows the Scheme Shareholders to elect either the Cash Alternative or the Scrip Alternative. Shareholders who are inclined to accept the Scrip Alternative may wish to note that based on the pro forma NAV of LCR, the attributable net asset backing per Share of the Distributable LCR Shares as at 31 December 2024 is approximately HK\$1.139 per Share. Including the Scheme Consideration, this amounts to total asset backing of approximately HK\$1.279 per Share, representing a discount of approximately 21.7% to the Adjusted NAV prior to the Distribution of approximately HK\$1.633 per Share. Such discount of approximately 21.7% is lower than the discount of the Total Cash Entitlement by electing the Cash Alternative to the Adjusted NAV prior to the Distribution of approximately 56.9% as mentioned above. Those Shareholders who, after taking into account the prospects for LCR, consider the discount to net assets is an important factor, may consider electing the Scrip Alternative.



(vi) Liquidity

An analysis of the liquidity of the Shares and LCR Shares is set out above. We consider that the Shares have not been actively traded which makes the opportunity of a full cash exit attractive for those Shareholders who may wish to sell.

Those Shareholders who may be attracted to the Scrip Alternative should note that in our view the LCR Shares have also not been actively traded in the past. If Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of LCR Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the LCR Shares.

Based on experience after the HKC Share Distribution, trading in LCR Shares may become more active once the Distribution is completed, as the public float of LCR will increase to the extent that the Scrip Alternative is elected. Assuming all Scheme Shareholders elect Scrip Alternative, public float of the LCR Shares would increase by approximately 8.25 percentage points, from approximately 25.01% to 33.26%. However, the extent of such an election is not known and even then an increase in the liquidity of LCR Shares cannot be guaranteed.

(vii) Comparison to Privatisation Precedents

A table of recent successfully completed Privatisation Precedents is set out above.

The premia represented by the Total Cash Entitlement of HK\$0.704 per Share by electing the Cash Alternative are higher than the average and median premium of the Privatisation Precedents over the (average) closing price on the last trading day and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the last trading day.

The premia represented by the total entitlement by electing the Scrip Alternative of HK\$0.6443 per Share (based on the closing price of LCR Shares as at the Last Trading Date) are higher than the median premium of the Privatisation Precedents over the (average) closing price on the last trading day and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the last trading day, and the premia over the average closing price for last 10, 30, 60 and 180 trading days are higher than the average of the Privatisation Precedents. The value of the Scrip Alternative Share will change from time to time depending on the market price of the LCR Shares.

The discounts represented by the total entitlement under the Cash Alternative and the Scrip Alternative to the Adjusted NAV prior to the Distribution are both higher than the median discount of the Privatisation Precedents of approximately 17.7%, which we consider a fairer analysis compared to the average premium of the Privatisation Precedents over their respective NAV. The discount to the Adjusted NAV prior to the Distribution of approximately 21.7% representing by the total asset backing of approximately HK\$1.279 per Share by electing the Scrip Alternative is higher than such median discount to NAV of the Privatisation Precedents of approximately 17.7% by 4 percentage points.



Nevertheless, the companies involved in the Privatisation Precedents may have different principal activities, and may vary between asset-heavy and asset-light models resulting in different trading discount/premium to their respective NAV. As such the analysis on the Privatisation Precedents should not be considered on an isolated basis but should be taken into account in totality with their factors when considering the fairness of the Proposal. Our analysis on the NAV of the Company is set out in the paragraph headed “(iii) Historical discount of Share price to NAV” under the section headed “III. PRINCIPAL FACTORS AND REASONS CONSIDERED” above.

Having considered that (a) the Distribution ratio is fair and reasonable to the Disinterested Shareholders; (b) on the Last Trading Date and for last 5, 10, 30, 60, 90 and 180 trading days before and up to the Last Trading Date, the Total Cash Entitlement under the Cash Alternative shows premia over market prices in a range from about 52.05% to 79.04%, and total entitlement under the Scrip Alternative shows premia over market prices of about 39.16% to 63.85%; (c) the discounts to the NAV represented by the total entitlement under the Cash Alternative or Scrip Alternative (based on closing price of LCR Shares on the Last Trading Date and the Latest Practicable Date) are all lower than the historical average trading discount of the Shares during the Ex-Distribution Review Period of approximately 70.7%; (d) the Shares have not been actively traded which makes the opportunity of a full cash exit under the Proposal attractive for those Shareholders who may wish to sell; and (e) there is flexibility to elect either the Cash Alternative or the Scrip Alternative under the Distribution, despite the discounts represented by the total entitlement under the Cash Alternative or the Scrip Alternative to the Adjusted NAV prior to the Distribution being higher than the median discount of the Privatisation Precedents, we consider the Proposal (including the Scheme and the Distribution) to be fair and reasonable.

V. OPINION AND RECOMMENDATION

Bearing in mind the above principal factors, none of which can be viewed in isolation, we consider the Proposal (including the Scheme and the Distribution) is fair and reasonable so far as the Disinterested Shareholders are concerned and advise the Independent Board Committee to recommend, and we ourselves recommend, the Disinterested Shareholders to vote in favour of (a) the resolution to approve the Scheme at the Court Meeting; (b) the special resolution to approve and give effect to the Scheme and the ordinary resolution to approve the Distribution at the General Meeting.

Those Shareholders who particularly value liquidity should consider electing the Cash Alternative. The Total Cash Entitlement by electing Cash Alternative of HK\$0.704 per Share represents a premium of approximately 11.75% compared to the closing price of the Shares of HK\$0.63 as at the Latest Practicable Date. Disinterested Shareholders who are inclined to accept the Cash Alternative should nevertheless monitor the Share price and consider selling in the market if the proceeds (net of costs) exceed the Total Cash Entitlement.



Those Shareholders who, after taking into account the prospects for LCR, consider the discount to net assets is an important factor, may consider electing the Scrip Alternative. However, they should monitor the market price of LCR Shares, which as at the Latest Practicable Date was below the VWAP per LCR Share of HK\$0.9167, the basis on which the Cash Alternative is calculated. Based on the closing price of HK\$0.71 per LCR Share as at the Latest Practicable Date, the market value of the Scrip Alternative Shares receivable per Share amounts to HK\$0.4367 and the total entitlement by electing the Scrip Alternative amounts to HK\$0.5767 per Share, representing a discount of approximately 8.46% compared to the closing price of the Shares of HK\$0.63 as at the Latest Practicable Date.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M.N. Sabine
Chairman

Stephanie Chow
Director

Mr. M.N. Sabine is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing with securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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.