VEDA | CAPITAL
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Veda Capital Limited 智略资本有限公司
Room 27, Units 405-414, Level 4, Core E
Cyberport 3, 100 Cyberport Road, Hong Kong
香港数码港道 100 号数码港 3 座 E 区 4 楼 405-414 室 27 房

18 July 2025

To: the Independent Board Committee

Dear Sir or Madam,

(1) PROPOSAL FOR THE PRIVATISATION OF THING ON ENTERPRISE LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS; AND (2) PROPOSED WITHDRAWAL OF LISTING OF THING ON ENTERPRISE LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the "Letter from the Board" (the "**Board Letter**") as contained in the Scheme Document dated 18 July 2025, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

On 9 May 2025, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. Upon the Scheme becoming effective, the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders may elect one of the options below (the "**Offer Consideration**") as the form of Offer Consideration in respect of their entire holdings of the Scheme Shares:

1. Cash Alternative: cash of HK$0.78 for every Scheme Share held;

2. Share Alternative: one Holdco Share for every Scheme Share held; or

3. a combination of both the Cash Alternative and the Share Alternative.

Scheme Shareholders who do not make election will be deemed to have elected to receive their entitlement under the Cash Alternative subject to the Proposal becoming unconditional in all respects.

The Proposal and the Scheme will be conditional upon the fulfilment or waiver (as applicable) of the Conditions. All Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Proposal will lapse.

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued and credited as fully paid to the Holdco) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the Effective Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Hung Franklin Chi Yen, all being independent non-executive Directors, has been established to make recommendations to the Scheme Shareholders as to voting at the Court Meeting and the EGM. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive directors who have no direct or indirect interest in the Proposal. Given that Mr. Wong is the sole member and a director of the Offeror, Mr. Wong is not considered as independent for the purpose of giving advice or recommendations to the Scheme Shareholders. Accordingly, Mr. Wong is not a member of the Independent Board Committee.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal and the Scheme, our role is to advise the Independent Board Committee as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether the Scheme Shareholders should vote in favour of the Scheme at the Court Meeting and the EGM and the election of the Offer Consideration. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with the Offeror and the Company or its respective directors, controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to given independent advices on the Proposal and the Scheme.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser, there were no other engagements between us and the Offeror or the Company or their respective directors, controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective directors, controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we considered that we are independent pursuant to Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to give independent advices on the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the representations made to us by the Directors and/or the representatives of the Company (collectively, the "**Management**").

We have assumed that all statements, information and representations provided by the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified by the Company of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code, in which case we will consider whether it is necessary to revise our opinion accordingly.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management (as the case may be) in the Scheme Document were reasonably made after due enquiries and careful consideration. We have no reason to suspect any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, which would make any statements therein misleading. In rendering our opinion in the Scheme Document, we have researched, analyzed and relied on (i) information in relation to the Group, including but not limited to, the financial reports published by the Company; (ii) the Scheme Document and other information provided by the Company; and (iii) market information obtained from the websites of the Stock Exchange and the reports published by Census and Statistics Department and Rating and Valuation Department of the Hong Kong Special Administrative Region.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter. We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent investigation into the business and affairs of the Offeror, the Group, companies involved or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

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

This letter is issued for the information for the Independent Board Committee solely in connection with their consideration of the Proposal and the Scheme, except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into considering the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. **Background and financial information of the Group**

1.1 Background of the Group

The Group engages in property investment business in Hong Kong with a principal focus on office and retail properties leasing and in the property management business. Its investment property portfolio covers both office space and retail shops in Hong Kong.

1.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 December 2022 ("**FY2022**"), 2023 ("**FY2023**") and 2024 ("**FY2024**") respectively, as extracted from the annual reports of the Company of the relevant years.

Table 1

	FY2022	**FY2023**	**FY2024**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**37,517**	**35,374**	**37,326**
– Rental income generated from office properties	20,450	17,928	19,062
– Rental income generated from retail properties	13,002	13,136	13,322
– Property management	4,065	4,310	4,942
Gross profit	32,045	29,990	31,422
Other income and gains	802	1,134	2,300
Changes in fair value of investment properties	(57,177)	(79,233)	(116,500)
General and administrative expenses	(11,321)	(11,648)	(10,679)
Income tax expenses	(3,278)	(2,874)	(3,286)
(Net loss) attributable to owners of the Company	**(38,966)**	**(62,631)**	**(96,743)**

Revenues and Profits/Losses for the FY2024 vs FY2023

The Group recorded a revenue in the amount of approximately HK$37.3 million for the FY2024, representing an increase of approximately 5.5% as compared to that in the amount of approximately HK$35.4 million for the FY2023. It is also noted that all of the Group's revenues during the relevant years were generated from the properties industry and mostly derived from rental incomes from its office and retail properties. As advised by the Management, the slight increase in the revenue for the FY2024 was primarily due to the leasing of some office properties during the FY2024 that were previously vacant.

The Group recorded a loss attributable to its owners in the amount of approximately HK$96.7 million for the FY2024, representing an increase in loss of approximately 54.5% as compared to that in the amount of approximately HK$62.6 million for the FY2023. We were given to understand by the Management that the increase in loss was mainly attributable to the increase in loss in fair value of investment properties of approximately HK$37.3 million for the FY2024 as compared to that of the FY2023.

Revenues and Profits/Losses for the FY2023 vs FY2022

The Group recorded a revenue in the amount of approximately HK$35.4 million for the FY2023, representing a decrease of approximately 5.7% as compared to that in the amount of approximately HK$37.5 million for the FY2022. It is also noted that all of the Group's revenues during the relevant years were generated from the properties industry and mostly derived from rental incomes from its office and retail properties. As advised by the Management, the slight decrease in the revenue for the FY2023 primarily resulted from the slow recovery of the overall real estate market in Hong Kong as the market continued to work through the residual effect of the Covid-19 pandemic.

The Group recorded a loss attributable to its owners in the amount of approximately HK$62.6 million for the FY2023, representing an increase in loss of approximately 60.7% as compared to that in the amount of approximately HK$39.0 million for the FY2022. We were given to understand by the Management that the increase in loss was mainly attributable to the increase in loss in fair values of investment properties of approximately HK$22.0 million for the year ended 31 December 2023 as compared to that of the previous year.

Table 2

	As at 31 December		
	2022	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
Total Assets	**1,309,860**	**1,248,126**	**1,152,038**
Current assets	19,229	36,854	57,794
– Trade receivables, prepayments, deposits and other receivables	1,706	3,511	4,562
– Tax prepayment	114	37	61
– Cash and bank balances	17,409	33,306	53,171
Non-current assets	1,290,631	1,211,272	1,094,244
– Investment properties	1,279,793	1,200,560	1,084,060
– Property, plant and equipment	10,720	10,452	10,184
– Deferred income tax assets	118	260	–
Total Liabilities	**18,790**	**19,687**	**20,342**
Current liabilities	11,489	11,412	12,007
– Other payables and accruals	10,913	11,017	10,751
– Tax payable	576	395	1,256
Non-current liabilities	7,301	8,275	8,335
– Deferred income tax liabilities	7,301	8,275	8,335
Net assets	**1,291,070**	**1,228,439**	**1,131,696**

Financial Positions as at 31 December 2022, 2023 and 2024

As noted from the table above, the Group's total assets in the amount of approximately HK$1,152.0 million as at 31 December 2024, approximately HK$1,248.1 million as at 31 December 2023 and approximately HK$1,309.9 million as at 31 December 2022 were mainly its investment properties. The table below sets out a summary of the Group's property portfolio,

	As at 31 December		
	2022	**2023**	**2024**
Number of properties	38	38	38
Saleable area *(sq.ft)*	59,887	59,887	59,887
– Office properties *(%)*	62.8%	62.8%	62.8%
– Retail properties *(%)*	37.2%	37.2%	37.2%
Values *(HK$' million)*	1,280.0	1,200.6	1,084.1
– Office properties (%)	64.7%	62.1%	59.1%
– Retail properties (%)	35.3%	37.9%	40.9%

As advised by the Management, the decrease in the aggregate value of the investment properties of the Group, may have been affected by factors, including the slower than anticipated recovery of the real estate market, low demand in Hong Kong amid ongoing geopolitical tensions and interest rates remaining higher than expected in recent years.

The Group's cash and bank balances, primarily bank deposits with original maturities over three months had increased from approximately HK$17.4 million as at 31 December 2022 to approximately HK$53.2 million as at 31 December 2024. The increase in cash and bank balances was primarily due to the rental income generated from the Group's office and retail properties. The Group had no borrowings as at 31 December 2022, 2023 and 2024.

There were no notable changes in the Group's total liabilities as at 31 December 2022, 2023 and 2024 and the Group's other payables and accruals are mainly rental deposits.

Following the decreasing pattern of the total assets as mentioned in the above, the net assets of the Group also gradually decreased from approximately HK$1,291.1 million as at 31 December 2022 to approximately HK$1,131.7 million as at 31 December 2024.

As noted from the section headed "Property Interests and Adjusted Net Asset Value" in Appendix I and the Property Valuation Report in Appendix III of the Scheme Document, the net assets of the Group as at 31 December 2024 shall be adjusted downward by approximately HK$24.5 million to approximately HK$1,107.2 million (the "**Adjusted NAV**") taking into account the effect of revaluation loss arising from the valuation of the Group's property interests with a valuation date as of 31 May 2025.

1.3 *Dividends*

There was no payment of any dividends since Listing.

1.4 *Outlook*

The Company engages in property investment business in Hong Kong with a principal focus on office and retail properties leasing and in the property management business. Its investment property portfolio covers office space in core business areas such as Central and Wanchai and retail shops in prime urban areas such as Tsim Sha Tsui and Mong Kok.

Based on our independent research, we noticed that the property market in Hong Kong has seen a decline in the residential and commercial prices resulted from the combination of, including but not limited to, global financial volatility, economic slowdown and out-migration. These market factors have aroused operation uncertainties that complicate the market as well as the operation environment of corporates across various industries in Hong Kong and in turn resulting in (i) corporate downsizing which leads to higher vacancy rates in prime office spaces; and (ii) subdued sales activity, with fewer transactions compared to pre-pandemic levels.

According to the report "Hong Kong Property Review 2025" (the "**RV Property Report**") issued in April 2025 by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region, Hong Kong's property market is facing challenges, and asset prices were constrained amid cautious sentiments due to the uncertain external economic outlook, heightened geopolitical tensions and tight financial liquidity. Despite of influx of talents, demand for housing for students as well as shifting trend from home purchase to leasing, rents of the properties excluding residential purpose registered year-on-year declines by the end of 2024.

The RV Property Report also suggests that due to, among other reasons, changing work patterns and an ample supply of office space in the past few years put the office market under continued pressure. According to the RV Property Report, overall office prices dropped by approximately 22.6% between the fourth quarters of 2023 and 2024, with Grade A, B and C office prices falling within 19.5% to 24.5% and overall office rents declined by 5.0% during the corresponding period, with Grade A, B and C office rents recording decreases within 4.8% to 5.3%. The vacancy rate, referred as vacancy at the end of the year as a percentage of stock, of private offices increased from 11.5% in 2020 to 16.3% in 2024.

On the other hand, in terms of the retail sector, consumer sentiment improved and inbound tourism continued to recover in 2024 following the resumption and expansion of multiple-entry policy from the PRC and local events supported by the local government. However, the RV Property Report suggests that the changing consumption pattern of visitors and residents over the year adversely affected the retail property market as prices of retail premises decreased by 18.2% between the fourth quarters of 2023 and 2024 while rents of retail premises fell by 6.5% over the same period.

During our research, we noticed that the Government of Hong Kong has also introduced a few supportive policies in the recent years such as the relaxation of stamp duty in February 2024 to stimulate transactions in the property sector and the increase in efforts in tourism after the pandemic to promote economic development and sales in the retail sectors. However, the current incentives are apparently yet to be sufficient to offset the declining of the property business market and ramp up property transactions in Hong Kong with a slow-recovering economic and strict bank policies for obtaining loans, ongoing global tensions, competitions from rivalry retailers outside Hong Kong (i.e. such as the neighboring cities in the Greater Bay Area and Singapore), technological improvements that shift consumer habits and retail from physical stores to e-commerce and the results of corporate downsizing and hybrid working patterns that lead to an increase in vacant office spaces.

As per another report "Hong Kong in Figures 2025 Edition" ("**HK Figures**") published in April 2025 by the Census and Statistics Department of Hong Kong Special Administrative Region, it has figures showing that the value of registered agreements for sale and purchase of non-residential property have evidently declined from HK$143.6 billion in 2019 to around HK$88.7 billion (a drop of approximately 38.2%) and HK$79.8 billion (a drop of approximately 44.4%) in 2023 and 2024 respectively. The HK Figures also pointed out that the values of total retail sales have dropped from HK$431.2 billion in 2019 to HK$406.6 billion and HK$376.8 billion in 2023 and 2024 respectively.

Additional to the proactive efforts by the Government of Hong Kong to sustain economic growth, we are of the view that the recovery extent of the property business market in Hong Kong will be greatly influenced by factors such as the changes in the interest rate of Hong Kong, which follows the pattern of the movements of the interest rates of United States to prevent capital flows from destabilizing the currency exchange rate given that HK$ is currently pegged to the dollars of the United States. A lower interest rates may result in more transactions in the property market and the recovery of the PRC economy will encourage more investors and consumers to acquire properties and/or conduct businesses in Hong Kong. However, the geopolitical tensions between the United States and the PRC have yet to announce any clear solutions that may recoup investors' confidences or lead us to believe that the market sentiment, including the property market in Hong Kong, will recover at a strong rate in the short-term.

In light of the above, we consider that the property market in Hong Kong is currently facing a complex mix of challenges and opportunities and is still adjusting and the transactions in the properties sector in Hong Kong are likely to remain subdued in the near term. All things considered, we remain cautiously optimistic about the development of the property investment business in Hong Kong and the outlook of the Group.

2. Background information of the Offeror

2.1 The Offeror and its controlling shareholder

The Offeror is a company incorporated in British Virgin Islands with limited liability. It has been the controlling shareholder of the Company since the Listing on 16 January 2018.

As at the Latest Practicable Date, the Offeror is directly wholly-owned by Mr. Wong, who is a director of the Offeror as well as the controlling shareholder, the chairman and a non-executive Director of the Company. The other directors of the Offeror are Mr. Wong Fung Yuen, Mr. Wong Ka Yeung Roland and Mr. Wong Man Yeung Ryan.

Mr. Wong is the brother of Mr. Wong Fung Yuen and the father of Mr. Wong Ka Yeung Roland, an executive Director, and Mr. Wong Man Yeung Ryan, the chief executive officer of the Company.

2.2 *Information on the Holdco*

The Holdco is a special purpose vehicle incorporated in the British Virgin Islands with limited liability on 7 September 2018. The Holdco has not carried on any business since its incorporation and does not hold any assets of significant value.

As at the Latest Practicable Date, the Holdco is directly wholly-owned by the Offeror, which in turn is directly beneficially owned by Mr. Wong. The directors of the Holdco are Mr. Wong Ka Yeung Roland and Mr. Wong Man Yeung Ryan.

2.3 *The Offeror's intention in relation to the Group*

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its current business. The Offeror has no intention to have the Shares or the Holdco Shares listed in other stock markets in the near future or to make any major changes to the business of the Group such as redeployment of fixed assets or the continued employment of employees of the Group, other than those changes which the Offeror may from time to time implement following the review of its strategy relating to the business, structure and/or direction of the Group.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business.

2.4 *Withdrawal of listing of the Shares*

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued and credited as fully paid to Holdco) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

However, if the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither Mr. Wong, the Offeror nor any person who acted in concert with any of them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

3. Reasons for and benefits of the Proposal

As mentioned in the Board letter, the Board considers that the Proposal, if implemented, will offer the Scheme Shareholders a valuable opportunity to realise their entire investment in the Company at a premium and to reallocate the proceeds from the disposal of the Shares to alternative potential investment opportunities for the following reasons:

- The property sector in Hong Kong has been adversely affected by the prevailing market conditions. The Company foresees that the global economic landscape remains complex in year 2025. Geopolitical tensions and uneven recoveries across major economies contribute to market uncertainties. The local property market remains under pressure, with subdued transaction volumes and modest price adjustments in both residential and commercial segments. Office and retail rentals also face headwinds as businesses adapt to shifting economic conditions. The decrease in market values and reduced liquidity of local properties have created difficulties for the Group to realise its underlying asset value.

- The Group's financial performance was on a declining trend in its last three financial years. It recorded loss of approximately HK$39.0 million, approximately HK$62.6 million and approximately HK$96.7 million for the three years ended 31 December 2024, respectively.

- The market capitalisation on the Last Trading Day was approximately HK$432.0 million (calculated based on the closing price of HK$0.6 per Share on the Last Trading Day as quoted on the Stock Exchange), which is substantially lower than its net assets value of approximately HK$1,131.7 million as at 31 December 2024. The Company also faces constraints in boosting the stock value through share buy-backs due to the minimum public float requirement.

- The cash consideration of HK$0.78 per Scheme Share under the Proposal represents a premium of approximately 30.0% over the closing price of HK$0.6 as quoted on the Stock Exchange on the Last Trading Day, and a premium of approximately 30.0%, 30.0%, 36.1%, 32.2%, 20.6% and 7.3% per Share for the 5-, 30-, 60-, 90-, 120- and 180-trading days up to and including the Last Trading Day, respectively.

- The Shares has been traded at a low level over a prolonged period in recent years. It reflects a lack of interest of investors in dealing in the Shares. Moreover, the low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

- It is unlikely to see any significant improvement in the trading volume and share price of the Company nor the Company will be able to utilise its listing status to raise funds from the equity market, in the near term for business development and future growth having considered that the Group has been loss-making for consecutive years and there is no sign of recovery for the property sector in Hong Kong. The continued listing of the Shares does not provide any significant or meaningful benefit to the Company in the near future.

- Alternatively, the Proposal would allow the Company to reduce the administrative costs and management resources associated with maintaining its public listing status and to free the Company from the pressure of market expectations, share price fluctuations and compliance requirements which arise from the Company being a publicly listed company.

We have considered the rationale of the Proposal, especially with the selection of the Cash Alternative, from the perspectives of the Scheme Shareholders and the Company as follows,

From the perspective of the Scheme Shareholders

Challenging and uncertain market and regulatory conditions faced by the Group's business

The Group's principal business has been property investment and the provision of property management services in Hong Kong. Notably, revenue generated by property leasing contributes over 80% of the total revenues of the Group in the preceding years. However, as mentioned in section "*1.4 Outlook*" in this letter, the property leasing market in Hong Kong is, and may very well continue to be, under clear pressure due to a number of reasons including (i) the geopolitical tensions between the United States and the PRC, particularly due to the recent tariff policies introduced by the United States, which have placed considerable pressure on global trades and investors' confidence; (ii) greater competition from neighboring cities in the Greater Bay Area; and (iii) the change in spending habits and norm towards rising of online shopping/e-commerce and remote working habits after the pandemic outbreak which may affect the rental income of the Group from its investment properties. In addition, the values of the properties of the Group have also dropped as compared to the previous years along with the deteriorating property market in Hong Kong.

Opportunities to realise investment in the Company regardless of shareholding size

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

Per our analysis on the trading liquidity of the Shares as discussed in section "*4.3 Trading liquidities*" below, we note that the trading activities in the Shares were generally illiquid over the Review Period (as defined below) and the Scheme Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of the Shares.

It is also worth mentioning that there was a noticeable increase in trading liquidity in May 2025 after the release of the Announcement; however, we believe such uncommonly high trading volume as compared to the other months during the Review Period (as defined below) was similarly triggered by the presence of the Proposal and may not be sustainable in the absence of the Proposal.

In this respect, in light of our view that there will be challenges confronting the Hong Kong property sector, we concur that the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Company with the certainty of return.

Low likelihood of an alternative offer

There were no significant investors apart from the Offeror, interested in 75% of the issued shareholding of the Company, so it is unlikely for minority Shareholders to receive an alternative proposal from other parties to monetise their investment in the Company.

From the perspective of the Company

Limited benefits in maintaining the Company's listing status

Low trading activities of the Shares has weakened the Company's ability to conduct equity financing as it shows that there was a lack of interest of investors in dealing in the Shares. Together with the current relatively depressed Share price as compared to the Share closing prices before 2023 where they were often closing above HK$0.90 per Share, the Company is unable to fully utilise its current listing platform as a source of funding for its long-term growth. It is expected that continued listing of the Shares may not provide any meaningful benefit to the Company in the near future.

Reducing costs and expenses of maintaining the Company's listing status

The privatisation of the Company is expected to permit the Offeror to make strategic decisions focused on long-term growth and benefits, free from the pressure of market expectations, share price fluctuations and compliance requirements which arise from the Company being a publicly listed company. Upon completion of the Proposal, the Company can expect to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

4. The Proposal and the Scheme

4.1 *The Cash Alternative*

The cash consideration of HK$0.78 per Scheme Share represents:

(i) a premium of approximately 9.9% over the closing price of HK$0.71 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 30.0% over the closing price of HK$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 30.0% over the average closing price of approximately HK$0.6 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 30.0% over the average closing price of approximately HK$0.6 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 36.1% over the average closing price of approximately HK$0.573 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(vi) a premium of approximately 32.2% over the average closing price of approximately HK$0.590 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

(vii) a premium of approximately 20.6% over the average closing price of approximately HK$0.647 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

(viii) premium of approximately 7.3% over the average closing price of approximately HK$0.727 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

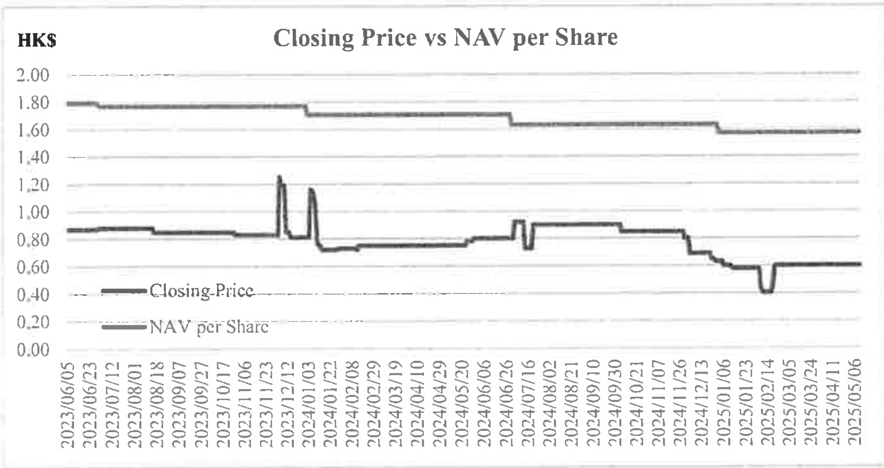
(ix) a discount of approximately 50.4% to the audited consolidated net asset value per Share of approximately HK$1.572 as at 31 December 2024, based on (i) the audited consolidated net asset value of the Company of approximately HK$1,131,696,000 as at 31 December 2024 and (ii) 720,000,000 Shares in issue as at the Latest Practicable Date; and

(x) a discount of approximately 49.3% to the adjusted audited consolidated net asset value per Share of approximately HK$1.538 as at 31 December 2024 calculated based on the adjusted audited consolidated net asset value of the Company of approximately HK$1,107,202,000 as at 31 December 2024 after taking into account the valuation of the Group's property interests in aggregate of approximately HK$1,069,750,000 with a valuation date of 31 May 2025 and 720,000,000 Shares in issue as at the Latest Practicable Date.

The cash consideration under the Cash Alternative has been determined on a commercial basis after considering the recent and historical traded prices of the Shares and the financial performance of the Group.

Discount to the net asset value per Share as at 31 December 2024

To analyse the fairness and reasonableness of the discount of approximately 50.4% represented by the Cash Alternative of HK$0.78 per Scheme Share as compared to the audited consolidated net asset value per Share of approximately HK$1.572 as at 31 December 2024, we have examined the historical trading pattern of the closing price of the Shares relative to its net assets value per Share (with references to the Company's published interim/annual report for the respective period) during the period from 9 May 2023 to the Announcement Date which covers a period of two years to provide a more statistically reliable results over a longer period of time.



We have observed that the closing prices of the Shares during the subject period had mostly traded at similar levels of discount to the net asset value per Share, ranging from approximately 29.4% to approximately 74.2% and an average discount of approximately 53.6% ("**Average Discount to NAV**") which is close to the discount of approximately 50.4% in comparing the cash consideration under the Cash Alternative to the audited consolidated net asset value per Share as at 31 December 2024.

In summary, the Cash Alternative of HK$0.78 per Scheme Share represents (i) premiums in a range of approximately 7.3% to approximately 36.1% over the (average) closing prices of the Shares for different periods prior to the Last Trading Day as shown in the above; and (ii) a discount of approximately 50.4% to the net asset value per Share as at 31 December 2024, which is less than and close to the Average Discount to NAV of approximately 53.6%. Therefore, we consider that the cash consideration under the Cash Alternative to be fair and reasonable for the Scheme Shareholders.

4.2 *Historical price performances*

Set out below is the movement of the daily closing prices of the Shares during the period from 9 May 2024 to the Announcement Date, and subsequently up to and including the Latest Practicable Date (the "**Review Period**") as quoted from the Stock Exchange. We consider the period of approximate and more than one year is reasonable and representative to illustrate the recent price movements of the Shares, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of Shares and the cash consideration under the Cash Alternative.

Source: the Stock Exchange

Notes:

1. Closing price was on a downwards trend but there was no particular news or announcement made by the Company.

2. Closing price and trading volumes increased after the releasing of the Announcement on 9 May 2025.

During the Review Period, the lowest closing price of the Share was HK$0.405 per Share recorded on 11, 12, 13, 14, 17 and 18 February 2025 and the highest closing price of the Share was HK$0.920 per Share recorded on 4, 5, 8, 9, 10 and 11 July 2024. The average daily closing price per Share over the Review Period was approximately HK$0.742 per Share. The Cash Alternative of HK$0.78 per Scheme Share represents (i) a premium of approximately 92.59% from the lowest closing price; (ii) a discount of approximately 15.22% from the highest closing price; and (iii) a premium of approximately 5.10% from the average daily closing price over the Review Period. Within the Review Period comprising 290 trading days, the closing prices of the Share were above the Cash Alternative of HK$0.78 per Scheme Share on 126 trading days of the Review Period.

The closing price of the Shares was on a downward trend from HK$0.800 per Share to HK$0.405 per Share from early December 2024 to mid-February 2025. However, after the releasing of the Announcement on 9 May 2025, trading of the Shares became more active and the Share price increased from HK$0.600 per Share to HK$0.850 per Share. The Directors confirmed that save for the proposed privatisation and proposed withdrawal of listing of the Company, they are not aware of any reasons for the increase in the closing price of the Shares and more active trading of the Shares after the release of the Announcement.

On the basis that the Share price had increased immediately after the releasing of the Announcement, it should be aware that the market price of the Shares may have been influenced by the terms of the Proposal, in particular the Cash Alternative. If the Proposal fails, other things remaining unchanged, there is no assurance that the market price of the Shares will remain at the current level.

4.3 Trading liquidities

The following table sets out the average daily trading volume of the Share (the "**Average Daily Volume**") on a monthly basis and the respective percentage of the Average Daily Volume as compared to the total number of issued Shares of 720,000,000 Shares and Shares held by the public Shareholders of 180,000,000 Shares during the Review Period.

Month/Period	Trading Days	Average Daily Volume	Percentage of the Average Daily Volume as compared to the total issued Shares	Percentage of the Average Daily Volume as compared to the Shares held by public Shareholders
		Shares	*(%)*	*(%)*
		(note 1)	*(note 2)*	*(note 3)*
2024				
9 – 31 May	16	1,750	0.0002	0.0010
June	19	–	–	–
July	22	818	0.0001	0.0005
August	22	2,273	0.0003	0.0013
September	19	–	–	–
October	21	–	–	–
November	21	1,143	0.0002	0.0006
December	20	200	0.0000	0.0001
2025				
January	19	–	–	–
February	20	500	0.0001	0.0003
March	21	–	–	–
April	19	–	–	–
May	20	39,500	0.0055	0.0219
June	21	18,000	0.0025	0.0100
July (up to the Latest Practicable Date)	10	6,000	0.0008	0.0033

Source: the Stock Exchange

Notes:

1. the calculation is based on the total trading volume for month/period divided by the number of trading days during the month.

2. the calculation is based on the Average Daily Volume divided by the Shares issued in total at the end of each month/period.

3. the calculation is based on the Average Daily Volume divided by the Shares held by the public Shareholders at the end of each month/period.

As illustrated above, (i) the trading in the Shares was not halted or suspended during the Review Period, save for the period from 29 April 2025 to 9 May 2025 in respect of the releasing of the Announcement, but there was no trading volume recorded in each of June, September, October of 2024 and January, March and April 2025; (ii) the highest Average Daily Volume of Shares during the Review Period before the release of the Announcement (excluding May 2025 due to irregular results) was approximately 2,273 Shares recorded in August 2024, representing approximately 0.0003% of the total number of Shares in issue as at the end of the respective month, and approximately 0.0013% of the total number of Shares held by the public Shareholders; and (iii) the Average Daily Volume had notably increased during the month when the Announcement was released but had also been dropped in June 2025 and July 2025 (up to the Latest Practicable Date).

We are of the view that the Average Trading Volume per month was thin during the Review Period and before the Announcement was released, with ranges from nil to approximately 0.0003% of the total number of issued Shares, or approximately 0.0013% of the total number of issued Shares held by the public Shareholders. Apart from the trading volume of 598,000 Shares on 12 May 2025, being the trading day immediately after the release of the Announcement, and the more active trading subsequent to the release of the Announcement, we noted that trading in the Shares had been historically inactive and the Shares were hence rather illiquid. Accordingly, the Scheme Shareholders may find it difficult to dispose of a large volume of Shares in the open market without exerting downward pressure on the price of the Shares. The Proposal therefore represents an opportunity for the Scheme Shareholders to exit at a fixed cash price, which also represents premium over the closing price of the Shares for certain period of time before the release of the Announcement.

4.4 Comparable analysis

To assess the fairness and reasonableness of the Cash Alternative, we have conducted a comprehensive analysis of the price-to-book ratio (the "**P/B Ratio(s)**"), a commonly employed parameter in evaluating asset-intensive companies native to the property sector. Specifically, coverage of the analysis involved comparing the Company's P/B Ratio with those of listed entities on the Stock Exchange engaged in similar business activities and possess comparable size (the "**Comparable(s)**"). We have not applied another commonly employed parameter, being the price-to-earnings ratio as the Company was loss making.

We have set out below the criteria for the purpose of identifying the Comparables:

(i) a company whose shares are similarly listed on the Main Board of the Stock Exchange with a comparable market capitalisation ranging from approximately HK$250 million and HK$850 million to the value of the Company under the Cash Alternative of HK$561.60 million; and

(ii) a company with at least two-thirds of its revenue in the latest financial year was generated principally from engaging property investment business (i.e. including but not limited to, rental, leasing as well as property management services of commercial, industrial and retail units in Hong Kong.

Based on the above criteria, we have identified an exhaustive list of 5 Comparables. Recognising that no company possesses an identical business model, scale of operation, trading prospects, target markets, product mix and capital structure as the Company, and acknowledging that we have not conducted an in-depth investigation into the business and operations of the Comparables beyond the aforementioned selection criteria, we observe that the property businesses of the Comparables may not precisely match those of the Group. Nevertheless, we believe that the selected Comparables are sufficient and suitable as benchmark references for our comparative analysis, reflecting the prevailing market sentiment towards this business sector and business models for companies similarly engaged in the property leasing business, and which are also listed on the same platform.

Details of the Comparables as at the Latest Practicable Date as summarized below:

	Company (stock code)	**Principal business**	**Market Capitalisation** *(HK$' million)* *(note 1)*	**Net assets** *(HK$' million)*	**P/B Ratios** *Times* *(note 2)*
1	Pioneer Global Group Limited (224)	Principally engaged in, among others, property business including investment in property and hotels for rental and hotel operating income	715.50	7,323.51	**0.10**
2	Pokfulam Development Company Limited (225)	Principally engaged in, among others, property business including letting and management of commercial, industrial and residential properties	589.46	4,454.10	**0.13**

	Company (stock code)	Principal business	Market Capitalisation *(HK$' million)* *(note 1)*	Net assets *(HK$' million)*	P/B Ratios *Times* *(note 2)*
3	Tai Sang Land Development Limited (89)	Principally engaged in, among others, property business including property rental and investment business	555.20	8,261.89	**0.07**
4	Tern Properties Company Ltd. (277)	Principally engaged in, among others, property business including property investment and property leasing business	499.02	2,522.97	**0.20**
5	Great Wall Pan Asia Holdings Limited (583)	Principally engaged in, among others, property investment including leasing out commercial and industrial properties in Hong Kong	363.72	3,917.41	**0.09**
				Minimum	**0.07**
				Maximum	**0.20**
				Average	**0.12**
	The Company (under the Cash Alternative)	Principally engaged in, among others, property investment and management including providing office, retail and industrial properties leasing and in the property management business	**561.60**	**1,107.20**	**0.51**

Sources: the Stock Exchange

Notes:

1. Market capitalisation is calculated based on the share closing price times the total number of shares in issue as at the Latest Practicable Date.

2. P/B Ratios are calculated by dividing the respective market capitalisation of the Comparables as at the Latest Practicable Date by their respective equity attributable to owners of the Comparables shown in their latest published annual/interim financial statements. While the P/B Ratio of the Company (under the Cash Alternative) is calculated by dividing the market capitalisation of the Company as at the Latest Practicable Date at HK$0.78 per Scheme Share by the Company's Adjusted NAV of approximately HK$1,107.2 million.

As illustrated from the table above that the P/B Ratios of the Comparables ranged from approximately 0.07 times to approximately 0.20 times (the "**PB Range**"), with the mean being approximately 0.12 times. The implied P/B Ratio of the Company under the Cash Alternative of 0.51 times is above the mean and the range of the Comparables.

Moreover, it is also noted from the table above that, the shares of the Comparables were all trading at discount to their respective net asset value attributable to shareholders, as demonstrated by their P/B Ratios of less than one as at the Latest Practicable Date. There appears an inherent trend where the market has valued companies in the properties sector such as the Company and the Comparables at such levels of discounts which also aligned with our discussion in the sub-section headed *"Discount to the net asset value per Share as at 31 December 2024"* in this letter where the closing prices of the Shares during a two years period from the Announcement Date had mostly traded at similar levels of discount to the net asset value per Share, ranging from approximately 29.4% to approximately 74.2%.

We believe that, in general, property companies may trade at a discount to their net asset value for the reasons that, among others, (a) they are naturally more sensitive to changes in interest rates; (b) their assets portfolio mainly comprise of properties that are considered to be less liquid in trading which may affect values; and (c) their net asset values are often based on appraisals that can be subjective that will be affected by the ongoing market conditions and industry outlook. We noticed that the property market in Hong Kong has seen a decline in the residential and commercial prices as set out in the section headed *"1.4 Outlook"* in this letter, and thus which may be the reasons for the tendency of the Company and the Comparables to trade at discounts to their respective net asset value attributable to shareholders. Also, we are of the view that the property market in Hong Kong is currently facing a complex mix of challenges and opportunities and is still adjusting and the transactions in the properties sector in Hong Kong are likely to remain subdued in the near term.

Accordingly, we are of the view that the Cash Alternative is fair and reasonable so far as the Scheme Shareholders are concerned.

4.5 *The Share Alternative and Holdco*

Under the Proposal, apart from the Cash Alternative, the Scheme Shareholders are also offered to elect the Share Alternative. Under the Share Alternative, the Scheme Shareholders are offered one Holdco Share for every Scheme Share held.

The Holdco is a special purpose vehicle incorporated in the British Virgin Islands with limited liability on 7 September 2018. The Holdco does not have a principal place of business in Hong Kong and will not carry on any business other than matters in connection with the Proposal and the Scheme.

The Holdco Shares are shares of an unlisted company in the British Virgin Islands. As at the Latest Practicable Date, the Holdco is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On or before the Effective Date, the Holdco will subdivide the one share with a par value of US$1.00 held by the Offeror into 100,000 shares with a par value of US$0.00001 each and allot 179,900,000 new shares at par value to the Offeror, upon which the Offeror shall hold 180,000,000 Holdco Shares.

Restriction and rights of Holdco Shares

Holdco Shares are shares of an unlisted company in the British Virgin Islands and are illiquid with no ready market. Although shareholders of the Holdco will not benefit from the protections afforded by the Listing Rules and the Takeovers Code, their rights and obligations in relation to the Holdco will be governed by the provisions of the articles of association of the Holdco.

Risks which Scheme Shareholders should consider in evaluating the Share Alternative

Scheme Shareholders should be aware of the following risk factors of selecting the Share Alternative and holding the Holdco Shares:

- the Holdco Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules;

- the Holdco Shares are illiquid and hence shareholders of the Holdco may find it more difficult to find a purchaser for the Holdco Shares if they intend to sell their Holdco Shares, as there is less likely to have a ready market for the Holdco Shares;

- there is no guarantee that any dividend payments will be paid in respect of the Holdco Shares and changes in the business and economic environment could adversely affect the value of the Holdco's assets, if any;

- changes in the business and economic environment could adversely affect the value of the Holdco's assets, if any;

- Holdco is subject to the British Virgin Islands laws, which are different from the Cayman Islands laws that the Company is subject to; and

- there is no analysis or study conducted on whether Holdco's memorandum and articles of association and/or the British Virgin Islands laws can provide sufficient shareholders' protection to the Holdco's shareholders.

Valuation of the Holdco Shares

We have reviewed and discussed with SBI China Capital the methodology used and the bases and assumptions adopted for the estimates of value of the Holdco Shares (the "**Estimates of Value**"). It is noted that SBI China Capital has made several assumptions, including but not limited to (i) there exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on arm's length basis, each having knowledge of all relevant facts; (ii) the Proposal has become effective and the Offeror has already transferred 540,000,000 Shares (representing 75% of the issued and outstanding Shares) to the Holdco such that the Company becomes 100% owned by the Holdco; (iii) allotment of 540,000,000 Holdco Shares to the Offeror following the transfer of 540,000,000 Shares to the Holdco mentioned in (ii) above; and or before the Effective Date, subdivision of the one issued share held by the Offeror into 100,000 Holdco Shares; and the issue and allotment of 179,900,000 new shares by the Holdco to the Offeror comprise the entire issued share capital of the Holdco and no person has any right to acquire or subscribe for any share or loan capital of the Holdco other than the Holdco Shares issued in connection with the Proposal; (iv) the Offeror, the Holdco and the Company exist on a continuing basis; (v) at the time the Proposal becomes effective and the Offeror has already transferred 540,000,000 Shares (representing 75% of the issued and outstanding Shares) to the Holdco such that the Company becomes 100% owned by the Holdco, the Holdco consolidated turnover, profits, assets and liabilities will be the same as the Company, save for any costs and expenses incurred in connection with the Proposal and any cash balance that may remain in the Holdco that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal and the liability of the Holdco owed to the Offeror; (vi) no dividends or other distributions are paid or payable by the Holdco; and (vii) the Holdco Shares are unlisted.

Following the implementation of the Proposal, the Holdco will not own any other assets or any other liabilities except for the Shares and the liability of the Holdco owed to the Offeror. Accordingly, the top end of the value of the Holdco Shares is calculated as follows:

(a) multiplying 720,000,000 Shares, issue immediately following the implementation of the Proposal with the value per Share of HK$0.78 under the Cash Alternative;

(b) deducting the liabilities of the Holdco of HK$157,402.20 due to the Offeror; and

(c) adding the amount of cash of the Holdco as at 30 April 2025 in the amount of HK$74,650.07.

Based on the above, the top end value per Holdco Share calculated as (a)-(b)+(c) divided by the 720,000,000 Holdco Shares would be HK$0.78.

On the other hand, in determining the lower end of the range for the Estimates of Value, SBI China Capital applied a 30% discount (the "**LOM Discount**") to the value calculated above to reflect the lack of marketability and shareholders' rights as the Holdco Shares are unlisted. The LOM Discount was determined and adopted after comparing with the market privatisation precedents in Hong Kong since 2013 which involved valuation of unlisted shares as listed out in "Appendix VI – Estimates of value of Holdco Shares" of the Scheme Document. Taking into consideration of the LOM Discount, the bottom end of the range of the Estimates of Value would be HK$0.546. In view of the fact that the Holdco Shares are unlisted without a publicly traded price and therefore may be more difficult to be sold if any Holdco Shareholders is intended to sell the Holdco Shares, we consider that it is reasonable for SBI China Capital to adopt a discount of lack of marketability, being as much as 30% in this case, in deriving the Estimate of Value.

Accordingly, based on the above methodologies and taken into account of the relevant assumptions and limitations sets out by SBI China Capital, it is derived that the Estimates of Value are within a range of between HK$0.546 and HK$0.78 for each Holdco Share.

In view that (i) the top end value of the Estimate of Value being HK$0.78 which is about the same as to the Cash Alternative; (ii) the restriction and rights of Holdco Shares; and (iii) a discount of lack of marketability in assessing the Holdco Share is reasonable, and in the event that the Proposal and the Scheme are approved (which we also recommend to vote for at the Court Meeting and the EGM as set out in the section headed "Recommendation" below"), any discount will result in a lower Estimate of Value than the Cash Alternative, we would recommend the Scheme Shareholders to elect the Cash Alternative under the Proposal.

4.6 *Privatisation precedents*

To further assess the fairness and reasonable of the Cash Alternative, we have reviewed privatisation precedents of companies listed on the Main Board of the Stock Exchange that (i) were announced and completed (i.e. delisted from the Stock Exchange); and (ii) do not involves shares exchange of listed companies, that issued their respective scheme document six months prior to the Announcement Date (i.e. from 9 November 2024 and up to the Latest Practicable Date) (the "**Privatisation Precedents**"), to compare them at a period of more similar economic, industry and financial market cycle. We have identified an exhaustive list of 9 comparable Privatisation Precedents and the details of which are summarized below:

	Date of scheme document	Company (stock code)	Premium/(Discount) of cancellation price over/ to closing share price over/to				Premium/ (Discount) of cancellation price over/to the (adjusted) net asset value per share
			Last trading day	Last 30 trading days	Last 60 trading days	Last 90 trading days	
1	2025/05/22	ESR Group Limited (1821)	13.6%	17.8%	11.1%	11.5%	(1.20)%
2	2025/04/17	Canvest Environmental Protection Group Limited (1381)	11.6%	16.9%	19.8%	21.0%	21.59%
3	2025/03/31	Versync Co., Ltd (2148)	33.3%	44.4%	36.1%	36.4%	122.3%
4	2025/02/10	Fosun Tourism Group (1992)	95.0%	111.2%	110.3%	112.5%	(27.4)%
5	2025/02/05	Pentamaster Corporation Berhad (1665)	25.0%	52.7%	50.2%	51.0%	32.6%
6	2025/01/23	Ronshine Service Holding Co., Ltd (2207)	15.4%	(6.3)%	1.7%	(6.5)%	(53.5)%
7	2024/12/20	Doyen International Holdings Limited (668)	78.6%	81.4%	86.2%	112.9%	(39.3)%
8	2024/12/20	Beijing Capital Grand Limited (1329)	46.6%	41.8%	47.9%	65.4%	(53.8)%

	Date of scheme document	Company (stock code)	Premium/(Discount) of cancellation price over/ to closing share price over/to Last trading day	Last 30 trading days	Last 60 trading days	Last 90 trading days	Premium/ (Discount) of cancellation price over/to the (adjusted) net asset value per share
9	2024/11/19	CM Hi-Tech Cleanroom Limited (2115)	25.0%	30.2%	39.7%	41.7%	(3.2)%
		Range Premium/(Discount)	**11.6% to 95.0%**	**(6.3)% to 111.2%**	**1.7% to 110.3%**	**(6.5)% to 112.9%**	**(53.8)% to 122.3%**
		Average Premium/(Discount)	**38.2%**	**43.3%**	**44.8%**	**49.5%**	**(0.2)%**
		Median Premium/(Discount)	**25.0%**	**41.8%**	**39.7%**	**41.7%**	**(3.2)%**
		The Cash Alternative	**30.0%**	**30.0%**	**36.1%**	**32.2%**	**(48.1)%**

Source: the Stock Exchange

Note:

Adjusted net asset values (where available) were used as extracted from their respective offer/scheme document when referring to the premiums/(discounts) over/to the net asset values of the Privatisation Precedents in the above table.

The premiums represented by the Cash Alternative over the closing price of the Shares on the Last Trading Day and 30-, 60- and 90-trading days up to and including the Last Trading Day, are lower than the corresponding average, and close to or lower than the median, represented by the Privatisation Precedents but still within the range of the premiums/discounts of the Privatisation Precedents. In this regard, we consider that the premium of the Cash Alternative is determined in line with the market practice.

The discount represented by the Cash Alternative to the Adjusted NAV (the "**NAV Discount**") is higher than the corresponding average and median represented by the Privatisation Precedents but also within the range of the premiums/discounts of the Privatisation Precedents. Adding to the facts that (i) the closing Share price was trending downward and had been trading at a deeper discount to the NAV per Share during the period from early December 2024 to the release of the Announcement (i.e. ranging from HK$0.405 per Share to HK$0.69) as set out under the section headed "*4.2 Historical Price Performances*" in this letter; (ii) the outlook of the property investment in Hong Kong as set out under the section headed "*1.4 Outlook*" in this letter which suggested that the prices of, as well as the rental incomes generate from, the commercial and retail properties in Hong Kong has declined due to, among other matters, increased operation uncertainties that complicate the market and the operation environment of corporates across various industries in Hong Kong and in turn resulting in, including but not limited to, higher vacancy rates in prime office spaces and subdued sales activity; and (iii) the Average Discount to NAV as discussed in the sub-section headed *"Discount to the net asset value per Share as at 31 December 2024"* in this letter and the tendency for property companies to trade at bigger discounts to their net asset values as discussed in the section headed *"4.4 Comparable Analysis"* in this letter, on balance, we consider that the NAV Discount to be reasonable and fair.

The above illustration should be considered for the Scheme Shareholders reference only, despite that these transactions were recently completed and may better represent the recent market patterns, we considered that past privatisation transactions of companies listed on the Stock Exchange are however less of a reference for assessing the fairness and reasonableness considering these companies are from different industries, which therefore have different market fundamentals and prospects compared to those faced by the Group at this moment. There are also variations in terms of scale of operations, financial performance and position, as well as trading prospects, and hence differences in risk premiums afforded by the market. Accordingly, we consider that the analysis in other sections in this letter to be more directly relevant for the Scheme Shareholders to make an informed assessment on the fairness and reasonable of the Proposal and Scheme.

RECOMMENDATION

In summary, having considered the following principal factors and reasons:

(i) the Group is principally engaged in the property investment business, but the property market in Hong Kong is currently facing a complex mix of challenges and opportunities and is still adjusting and transactions in the properties sector in Hong Kong are likely to remain subdued in the near term which will affect the development of the Group;

(ii) the Group recorded net loss for each of the FY2023 and FY2024 which was primarily due to the declining of values of its properties as the sector continues to be pressured;

(iii) the reasons of and benefits to the Scheme Shareholders as set out under the section headed *"3. Reasons of and benefits of the Proposal"* in this letter, including but not limited to, that the Proposal provides the Scheme Shareholders with the opportunities to realise investment in the Company despite of, among others, economic slowdown and the Company's low trading liquidity;

(iv) the Cash Alternative of HK$0.78 per Scheme Share represents premiums in a range of approximately 7.3% to approximately 36.1% over the (average) closing prices of the Shares for different periods prior to the Last Trading Day as shown in the section headed *"4.1 The Cash Alternative"* in this letter and that the Cash Alternative of HK$0.78 may represent for a bigger premium if the market price of the Shares returns to the previous levels before the Announcement should the Proposal fails;

(v) our analysis sets out in the section headed *"4.3 Trading liquidity of the Shares"* in this letter, which illustrated that during the Review Period, the trading liquidity of the Shares was illiquid such that Scheme Shareholders may find it more difficult to dispose of a large volume of Shares in the open market without exerting downward pressure on the price of the Shares and the Proposal represents an opportunity for them to exit at a fixed cash price;

(vi) our analysis sets out in the section headed *"4.4 Comparables analysis"* in this letter, which illustrated that the implied PB Ratio of the Company under the Cash Alternative of 0.51 times is above the mean and the range of the Comparables; and

(vii) the restrictions and risks associated with the Share Alternative (in parts or in full) as set out in the section headed *"4.5 The Share Alternative and Holdco"* in this letter, in particular that the Holdco Shares are not listed on any stock exchange, considered to be illiquid with no ready market and do not benefit from the protections afforded by the Listing Rules.

Based on the above, we consider that the terms of the Proposal and the Scheme to be fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee to advise the Scheme Shareholders (i) to vote in favour of the resolution(s) to approve the Proposal and the Scheme at the Court Meeting and the EGM; and (ii) to elect the Cash Alternative, rather than the Share Alternative or a combination of both.

We also recommend the Scheme Shareholders to elect the Cash Alternative of HK$0.78 and not to take the Share Alternative, which we consider has been tailored principally for large and sophisticated Shareholders and is not suitable for other Scheme Shareholders. Scheme Shareholders are reminded to carefully studied the specific features of the Share Alternative and the associated risks of holding Holdco Shares (discussed in the sub-section headed "*Risks which Scheme Shareholders should consider in evaluating the Share Alternative*"), in consider taking the Share Alternative or a combination of both.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 28 years of experience in corporate finance industry.