

30 May 2025

*To the Independent Board Committee and the Independent Shareholders
of Tokyo Chuo Auction Holdings Limited*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED AND
FORTUNE ORIGIN SECURITIES LIMITED
FOR AND ON BEHALF OF
ESSA FINANCIAL GROUP LTD
TO ACQUIRE ALL THE ISSUED SHARES IN
TOKYO CHUO AUCTION HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR TO BE ACQUIRED BY
ESSA FINANCIAL GROUP LTD, THE OTHER PURCHASERS
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
TOKYO CHUO AUCTION HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Joint Independent Financial Advisers to the Independent Board Committee in relation to the Offers, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Composite Document dated 30 May 2025 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Company was informed by the Vendor and the Offeror that on 25 April 2025, the Vendor, the Offeror and the Other Purchasers entered into the Sale and Purchase Agreement pursuant to which the Vendor has agreed to sell, and the Offeror and the Other

Purchasers have agreed to purchase, an aggregate of 374,967,278 Sale Shares, representing approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. The total consideration for the Sale Shares is HK\$164,985,602.32, which is equivalent to HK\$0.44 per Sale Share. Completion took place on 25 April 2025.

As at the Latest Practicable Date, the Company has 500,000,000 Shares in issue and 48,000,000 outstanding Share Options which entitle the holders thereof to subscribe for 48,000,000 new Shares at an exercise price of HK\$0.80 per Share. Save for the Shares and 48,000,000 outstanding Share Options, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Pursuant to Rules 13 and 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional cash offers for all the issued Shares (other than those already owned or to be acquired by the Offeror, the Other Purchasers and the parties acting in concert with any of them) and to cancel all the outstanding Share Options.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. Chung Kwok Mo John, Ms. Lam Suk Ling Shirley and Mr. Chun Chi Man, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

We, the Joint Independent Financial Advisers, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code. The appointment of the Joint Independent Financial Advisers as the independent financial advisers has been approved by the Independent Board Committee. Our role as the Joint Independent Financial Advisers is to give our recommendation to the Independent Board Committee as to (i) whether the Offers are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offers should be accepted.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected to the Company or the Offeror, their respective substantial shareholders 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 Offers to the Independent Board Committee and the Independent Shareholders.

During the past two years immediately preceding and up to the date of our appointment as the Joint Independent Financial Advisers, save for this appointment as the Joint Independent Financial Advisers in respect of the Offers, there were no other engagements between Joint Independent Financial Advisers and (i) the Group; (ii) the

controlling shareholders of the Company; (iii) the Offeror; or (iv) the controlling shareholders of the Offeror, and their respective concert parties. During the past two years immediately preceding and up to the date of our appointment as the Joint Independent Financial Advisers, we have no significant connection, financial, business or otherwise with (i) the Group; (ii) the controlling shareholders of the Company; (iii) the Offeror; or (iv) the controlling shareholders of the Offeror, and their respective concert parties.

As at the Latest Practicable Date, Joint Independent Financial Advisers do not have any interests in the shares, options, warrants or other equity related interests in (i) the Group; (ii) the controlling shareholders of the Company; (iii) the Offeror; or (iv) the controlling shareholders of the Offeror, and their respective concert parties.

Apart from the normal advisory fee payable to us in connection with our appointment as the Joint Independent Financial Advisers to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offers.

BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that to their knowledge after making reasonable enquires, no material facts have been omitted from the information provided and referred to in the Composite Document. In addition, pursuant to the Listing Rules, we have taken reasonable steps to enable ourselves to reach an informed view so as to provide a reasonable basis for our opinion, which included, among others, review of (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual reports of the Group for the years ended 31 March 2023 (the “**2023 Annual Report**”) and 31 March 2024 (the “**2024 Annual Report**”), the interim reports of the Group for the six months ended 30 September 2023 (the “**2023 Interim Report**”) and 30 September 2024 (the “**2024 Interim Report**”); (iv) the unaudited management account of the Group for the year ended 31 March 2025; and (v) other information obtained from the public domain.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, and, where applicable, their respective shareholder(s) and

subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate. We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. The Shareholders will be notified of any material changes to such information and representations as well as the content of this letter including but not limited to our opinions, advice and recommendations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

In relation to the Offers, we have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offers, and except for its inclusion in the Composite 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 TERMS OF THE OFFERS

As stated in the “Letter from Lego Securities and Fortune Origin Securities”, Lego Securities and Fortune Origin Securities are, for and on behalf of the Offeror, jointly making the Offers to acquire all the Offer Shares (other than those already owned or to be acquired by the Offeror, the Other Purchasers and the parties acting in concert with any of them) and to cancel all the outstanding Share Options in compliance with the Takeovers Code and on the terms set out in the Composite Document on the following basis:

The Share Offer

For each Offer Share HK\$0.44 in cash

The Share Offer Price of HK\$0.44 per Offer Share is equal to the price per Sale Share paid by the Offeror and the Other Purchasers under the Sale and Purchase Agreement.

The Option Offer

For cancellation of each Share Option with
exercise price of HK\$0.80 per Share HK\$0.0001 in cash

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offers, we have considered the principal factors and reasons as set out below:

1. Background and Financial Information of the Group

1.1 Principal business

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange (stock code: 1939). The Group is principally engaged in the provision of auction and related services as well as artwork sales in Hong Kong and Japan.

The Group specialises in auctioneering various artworks emphasising Chinese and Japanese artworks, including Chinese paintings and calligraphies, Chinese antiques, and Japanese and Chinese teawares.

1.2 Historical financial information

(i) Summarised consolidated income statements of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2023 and 31 March 2024 (“FY2023” and “FY2024”, respectively) as extracted from the 2024 Annual Report, and the unaudited consolidated financial results of the Group for the six months ended 30 September 2023 and 30 September 2024 (“6M2023” and “6M2024”, respectively) as extracted from the 2024 Interim Report.

	6M2024 HK\$'000 (unaudited)	6M2023 HK\$'000 (unaudited)	FY2024 HK\$'000 (audited)	FY2023 HK\$'000 (audited)
Revenue Breakdown				
— Operation of art auction and related business	29,447	31,495	48,671	59,838
— Artwork sales	2,444	699	9,181	12,924
Total Revenue	31,891	32,194	57,852	72,762
Gross Profit/(loss)	26,953	29,501	46,779	53,321
Profit/(loss) for the year/ period	(1,104)	1,689	(26,926)	(8,282)
Profit/(loss) attributable to:				
— Owners of the Company	(1,149)	1,599	(26,890)	(8,286)
— Non-controlling interests	45	90	(36)	4

FY2023 vs FY2024

According to the 2024 Annual Report, the Group recorded a total revenue of approximately HK\$57.9 million for the FY2024, representing a decrease of approximately 20.5% from approximately HK\$72.8 million for the FY2023. Within this total, revenue from art auctions and related businesses amounted to approximately HK\$48.7 million (FY 2023: approximately HK\$59.8 million), while revenue from artwork sales amounted to approximately HK\$9.2 million (FY2023: approximately HK\$12.9 million). Such a decline in revenue from art auctions and related businesses was mainly due to the prevailing uncertainties in the global economy and the financial markets, where these factors have affected the demand, and overall conditions of the market for Chinese and Japanese artworks, in particular, the development of the art auction market broadly.

The Group recorded a total gross profit of approximately HK\$46.8 million for the FY2024, representing a decrease of approximately 12.2% compared to approximately HK\$53.3 million in the FY2023. The gross profit margin for the FY2024 was approximately 80.8%, representing an increase from the gross profit margin of approximately 73.2% in FY2023. This improvement in the gross profit margin was mainly due to increased profit margins from revenue generated by the art auction-related business and artwork sales.

The Group recorded a loss of approximately HK\$26.9 million for the FY2024, an increase of approximately HK\$18.6 million compared to the loss of approximately HK\$8.3 million for the FY2023. This increase in loss was mainly due to (i) a decrease in revenue from art auction and related business, (ii) an increase in impairment loss on financial assets of approximately HK\$4.4 million, and (iii) the recognition of equity-settled share-based payment for the FY2024.

6M2023 and the 6M2024

According to the 2024 Interim Report, the Group recorded total revenue of approximately HK\$31.9 million in the 6M2024, representing a decrease of approximately 0.9% from approximately HK\$32.2 million in the 6M2023. This decline was mainly attributable to a reduction in revenue from art auctions and related businesses. The Group's overall gross profit was approximately HK\$27.0 million, representing a decrease of approximately 8.6% from approximately HK\$29.5 million in the FY2023. The gross profit margin for the 6M2024 was approximately 84.5%, compared to a gross profit margin of approximately 91.6% in the 6M2023.

The Group recorded a loss of approximately HK\$1.1 million for the 6M2024, compared to a profit attributable to the owners of the Company of approximately HK\$1.7 million for the 6M2023. This loss is primarily due to recognition of equity-settled share based payment of approximately HK\$2.7 million for the 6M2024.

(ii) *Summarised Consolidated Statements of the Financial Position of the Group*

Set out below is the summary of the audited consolidated assets and liabilities of the Group as at 31 March 2024 and 30 September 2024 as extracted from the 2024 Interim Report.

	As at 30 September 2024	As at 31 March 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current assets	25,369	28,498
Current Assets	406,897	368,139
Total Assets	432,266	396,637
Non-current liabilities	33,210	36,674
Current liabilities	156,453	121,017
Total liabilities	189,663	157,691
Net assets	242,603	238,946
Equity attributable to:		
— Owners of the Company	239,100	235,636
— Non-controlling interests	3,503	3,310

According to the 2024 Interim Report, the Group's net assets attributable to owners of the Company were approximately HK\$239.1 million as at 30 September 2024.

As at 30 September 2024, the total assets of the Group amounted to approximately HK\$432.3 million, which mainly comprised of (i) property, plant and equipment of approximately HK\$7.5 million; (ii) right-of-use assets of approximately HK\$8.1 million; (iii) inventories of approximately HK\$133.8 million as at 30 September 2024; (iv) trade and other receivables of approximately HK\$189.4 million as at 30 September 2024; (v) deposits and prepayments of approximately HK\$23.2 million; and (vi) cash and cash equivalents of approximately HK\$55.6 million.

As at 30 September 2024, the total liabilities of the Group amounted to approximately HK\$189.7 million, which mainly comprised of (i) other payables of approximately HK\$1.2 million; (ii) lease liabilities of approximately HK\$8.7 million; (iii) borrowings of approximately HK\$40.7 million; (iv) deferred income tax liabilities of approximately HK\$2.1 million; (v) current income tax liabilities of approximately HK\$0.9 million; and (vi) trade and other payables and accruals of approximately HK\$136.0 million.

2. Future prospects and outlook of the Group

According to the 2024 Interim Report, the Group aims to diversify its business by entering the fields of contemporary artworks and jewelry, and to further expand its presence in the Taiwan markets. In the future, the Group seeks to maintain stable growth and development while consistently adhering to its principle of sourcing excellent artworks with strong provenance to explore and acquire more valuable pieces for art enthusiasts in the artwork auction market.

Additionally, to enhance its coverage of Asian artworks in key regions, the Company has started planning a joint consignment tour with industry peers based in Taiwan. The Group will continually expand the categories of auction lots to meet the diversified preferences of collectors. At the same time, the Group's management will explore opportunities to collaborate with other auction companies to accelerate business development. However, as at the Latest Practicable Date, the Group has no concrete plans regarding these initiatives.

Based on the abovementioned Group's initiatives, we have conducted desktop research to gain insights into the auction industry. Our findings indicates that the growth and profitability of the art auction industry in Hong Kong and Japan are primarily influenced by two critical factors: (i) the popularity and demand within the global art auction market, particularly in Hong Kong and Japan; and (ii) the overall condition of the global economy and financial markets.

According to the Art Market Report 2025, published by Art Basel and UBS¹, the global art auction market has experienced a downturn. Between 2019 and 2024, public auction sales declined from 25.0 billion to 19.0 billion, reflecting a compound annual growth rate ("CAGR") of negative 5.3%. This segment saw significant volatility, including a sharp 27.6% drop in 2020 due to pandemic disruptions, followed by a strong 49.7% rebound in 2021. Sales plateaued in 2022 before declining again by 7.0% in 2023 and plummeting 24.6% in 2024. In contrast, private auction sales demonstrated consistent growth, rising from 2.5 billion in 2019 to 4.4 billion in 2024 at a 12.0% CAGR, despite a temporary 9.5% dip in 2022. Total global art sales in 2024 decreased by 12% to an estimated \$57.5 billion, marking the second consecutive year of slowing sales. The contraction was exacerbated by the dramatic 24.6% annual decline in public auctions, while private sales remained resilient with 12.8% growth in 2024.

¹ The Art Basel & UBS. Art Market Report 2025. Available at: < <https://theartmarket.artbasel.com/download/The-Art-Basel-and-UBS-Art-Market-Report-2025.pdf> >

According to the same report, in times of market volatility or uncertainty, when the overall environment is perceived as less favorable, private sales channels tend to outperform public auctions. During these periods, sellers often prefer private transactions as they provide greater control and flexibility over pricing and timing. Additionally, private sales allow sellers to keep the details of the transaction and the level of buyer demand out of the public domain.

According to the 2024 Annual Report, for the year ended 31 March 2024, the Group reported total annual revenue of HK\$57.9 million. Art auction and related business was the primary driver, generating HK\$48.7 million and 84.1% of the total revenue. Artwork sales generated HK\$9.2 million revenue, making up only 15.9% of the total revenue. On the other hand, according to the 2024 Interim Report, for the 6M 2024, the Group generated total revenue of HK\$31.9 million, with art auction and related business activities accounting for a substantial 92.2% of HK\$29.4 million. Revenue from artwork sales was only HK\$0.2 million, representing 0.6% of the total revenue. Given that the Group's business remains heavily concentrated in the auction-related segment, which accounts for the vast majority of its total revenue, the decline in public auctions and growth in private sales do not appear to favor the Group's performance. Hence, the sustainability and profitability of the Group remain uncertain.

Geographically, China (including Mainland China and Hong Kong) fell to third place in terms of leading art market worldwide, with a 15% share of global sales by value, representing a 4% year-on-year decline. Against a backdrop of slower economic growth, a continuing property market slump, and other economic uncertainties, sales in the Chinese art market experienced a sharp 31% drop to \$8.4 billion in 2024, the lowest level since 2009. Similarly, auction sales at Christie's, Sotheby's, and Phillips in Hong Kong declined by 30% over the same period.

In contrast, the Japanese art market has exhibited a more positive trajectory. According to the Art Market Report 2025, the Japanese art market experienced a 2% year-on-year growth in 2024. However, this market remains uncertain, as it faces headwinds from rising trade tensions and economic slowdowns.

Following the escalation of tariffs and countermeasures between trade partners, the International Monetary Fund's World Economic Outlook report for April 2025² has downgraded its projections for global real GDP growth. The forecast has been revised downward from 3.3% in January 2025 to 2.8% in the April 2025 report. Notably, China's projected growth rate has been reduced by 0.6% from 4.6% to 4.0%, while Japan's projected growth rate has been lowered by 0.5%, decreasing from 1.1% to 0.6% over the same period.

The above findings indicate that the significant impact on the global economy and financial markets may adversely affect the markets for Chinese and Japanese artworks. This situation could lead to unpredictability in market demand, valuation, and overall

² International Monetary Fund. World Economic Outlook April 2025. Available at: < <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025> >

conditions, and may also influence the development of the art auction industry. After carefully considering these factors, we agree with the Company's assessment that the global economic recovery remains uncertain.

Regarding the qualifications of the new management, we have reviewed the biographical information of Mr. Huang. For more details, please refer to the section headed "Background and intention of the Offeror" in the "Letter from Lego Securities and Fortune Origin Securities". Notwithstanding that Mr. Huang's background and experience may not directly correlate with the Company's principal business, the Offeror intends to provide values to the Group by leveraging Mr. Huang's personal background, management experience, extensive network and business connections in the PRC.

3. Background and intention of the Offeror

3.1 Background of the Offeror, Mr. Huang and the Other Purchasers

(i) The Offeror and Mr. Huang

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, the Offeror is ultimately wholly and beneficially owned by Mr. Huang, who is the sole director of the Offeror.

Mr. Huang, aged 44, holds an Executive Master of Business Administration degree from Tsinghua University and a Master of Business Administration degree from The Chinese University of Hong Kong, which he obtained through a joint programme offered by both universities. Mr. Huang is the chairman of 深圳金雅福控股集團有限公司 (Shenzhen Kinghood Holding Group Company Limited*) ("Shenzhen Kinghood"), which is primarily a company principally engaged in the gold and jewellery industry chain. In 2024, Shenzhen Kinghood was ranked 295th on the Fortune China 500 list. Mr. Huang directly holds approximately 57.06% equity interest in Shenzhen Kinghood and has an indirect interest of approximately 40.87% through a company that is 95% owned by him. Mr. Huang is also a member of the 12th and 13th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, the vice chairman of the Shenzhen Federation of Industry and Commerce, and the chairman of the Shenzhen Federation of New Social Class People* (深圳市新的社會階層人士聯合會).

(ii) The Other Purchasers

Ruihe Data is a company incorporated in the Cayman Islands with limited liability, with its issued shares listed on the Main Board of the Stock Exchange (stock code: 3680). Ruihe Data and its subsidiaries are principally engaged in provision of data solutions, sales of hardware and software and related services as an integrated service, information technology maintenance

and support services and trading of commodities. Based on the public information available, no shareholders of Ruihe Data hold 30% or more of its voting rights of Ruihe Data.

Mr. Li, aged 58, graduated with a Master of Business Administration degree from The University of Sunderland by way of distance learning. Mr. Li holds the qualification of senior engineer specialising in architectural decoration design approved by Beijing Senior Specialized Technique Qualification Evaluation Committee. Mr. Li is now the owner of JKL Investment, s.r.o., a company incorporated in Czech Republic which is principally engaged in investment holdings.

Mr. Zheng, aged 36, graduated with a bachelor's degree in information and computing science from Dalian Ocean University in 2013. Mr. Zheng worked in China Merchants Bank from July 2013 to June 2023 with the last position as the president of Renmin Road Sub-branch, Zhuhai Branch of China Merchants Bank. Mr. Zheng is one of the founding partners of 沁灣 (深圳) 私募股權基金管理合夥企業(有限合夥) (Qinwan (Shenzhen) Private Equity Fund Management Partnership (Limited Partnership)*) ("Qinwan"), which is principally engaged in private equity fund management. He has been a compliance and risk control officer of Qinwan since June 2023.

3.2 Shares owned by the Offeror, the Other Purchasers and the parties acting in concert with any of them

Immediately prior to Completion, save for 374,967,278 Sale Shares held by the Vendor, none of the Offeror, the Other Purchasers and the parties acting in concert with any of them held, owned, controlled or had the right of direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror, the Other Purchasers and the parties acting in concert with any of them are interested in a total of 374,967,278 Shares, representing approximately 74.99% of the total issued share capital of the Company.

Save for the aforementioned, the Offeror, the Other Purchasers and the parties acting in concert with any of them do not have any other interests in the share capital or voting rights of the Company.

3.3 Intention of the Offeror on the Company

As stated in the section headed "INTENTION OF THE OFFEROR ON THE COMPANY" in the "Letter from Lego Securities and Fortune Origin Securities", Upon Completion, the Offeror has become the controlling Shareholder (as defined under the Listing Rules). The Offeror has no intention to discontinue the employment of the employees or to dispose of (other than the change in proposed change of the Board composition as detailed below) or

re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror also intends to continue the existing principal business of the Group immediately following Completion.

Nevertheless, the Offeror will conduct a detailed review on the existing principal businesses and operations, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. As at the date of the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

The Board is aware of the Offeror's intention in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

3.4 Proposed change of Board composition

As at the Latest Practicable Date, the Board comprised of four executive Directors, namely Mr. Ando Shokei, Mrs. Ando Eri, Mr. Katsu Bunkai and Mr. Sun Hongyue, and three independent non-executive Directors, namely Mr. Chung Kwok Mo John, Ms. Lam Suk Ling Shirley and Mr. Chun Chi Man.

As disclosed in the section headed "PROPOSED CHANGE OF BOARD COMPOSITION" in the "Letter from Lego Securities and Fortune Origin Securities", it was intended that all of the executive Directors and independent non-executive Directors would resign with effect from the earliest time permitted under the Takeovers Code. The Offeror intends to nominate new Directors for appointment to the Board with effect from the earliest time permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

As at the Latest Practicable Date, the Offeror has nominated Mr. Huang as an executive Director and chairman of the Board, and Mr. Huang Shifeng ("**Mr. Huang SF**"), Ms. Qian Yuanyuan ("**Ms. Qian**") and Mr. Tong Jun ("**Mr. Tong**") as executive Directors, Mr. Li and Mr. Zheng as non-executive Directors, and Professor He Jia ("**Professor He**"), Professor Hu Zuohao ("**Professor Hu**") and Mr. Leung Ting Yuk ("**Mr. Leung**") as independent non-executive Directors. The appointment of the Directors will take effect after the posting of the Composite Document. The change of the chairman of the Board will take effect from the Closing Date.

The biographical information of Mr. Huang, Mr. Li and Mr. Zheng are set out in the paragraph headed “INFORMATION ON THE OFFEROR, MR. HUANG AND THE OTHER PURCHASERS” above in this letter, and the biographical information of remaining six nominated Directors (being Mr. Huang SF, Ms. Qian, Mr. Tong, Professor He, Professor Hu and Mr. Leung) as extracted from the “Letter from Lego Securities and Fortune Origin Securities”, are set out below:

Mr. Huang Shifeng

Mr. Huang SF, aged 42, graduated with a bachelor’s degree in optical information and science technology from the South China Normal University, the PRC in July 2007. Mr. Huang SF has ample experience in the field of gold and jewellery science and technology and technology research and development innovation. Mr. Huang SF has been the executive president and head of the innovation centre of Shenzhen Kinghood since January 2009 and the general manager of Shenzhen Shangshan Intelligent Company Limited* (深圳上善智能有限公司) since May 2020.

Mr. Huang SF is the brother of Mr. Huang, being the nominated executive Director and chairman of the Board.

Ms. Qian Yuanyuan

Ms. Qian, aged 41, obtained a doctor of philosophy in management from Zhejiang University, the PRC in June 2010. From July 2010 to June 2016, Ms. Qian worked at Shenzhen Gold Investment Co., Ltd. Ms. Qian joined Shenzhen Kinghood in May 2018 and had been the general manager of training from May 2018 to December 2020, the assistant to the president of the gold and jewelry banking channel from December 2020 to March 2025 and the vice president since April 2025.

Mr. Tong Jun

Mr. Tong, aged 60, obtained a master of business administration from The Chinese University of Hong Kong in December 2009. From March 2012 to September 2016, Mr. Tong was the general manager of Shenzhen Kinghood and since May 2020, Mr. Tong has been the executive vice president of Shenzhen Kinghood. From December 2016 to November 2018, Mr. Tong was the associate vice president and director of senior management training of the Shenzhen Finance Institute, Chinese University of Hong Kong-Shenzhen. He was also the deputy general manager of the financial and securities department of Shenzhen Neptunus Group Co., Ltd. from July 2002 to February 2012.

Professor He Jia

Professor He, aged 70, studied as a worker-peasant-soldier student in the mathematics department of Heilongjiang University, the PRC from October 1975 to July 1978, graduated with a master's degree in computer science and decision-making from Shanghai Jiao Tong University, the PRC in December 1983 and obtained a doctor of philosophy in finance from The Wharton School of the University of Pennsylvania, the United States of America in August 1988. Professor He has more than 35 years of experience in academia in higher education institutes in the PRC and the United States of America. Since October 2021, Professor He has been the chair professor at Shandong University, and from May 2021 to July 2024, Professor He was the Qiushi chair professor of the International Business School of Zhejiang University. Since February 2022, Professor He has been the chairman of the internet investment and financing working committee of the Internet Society of China* (中國互聯網協會互聯網投融資工作委員會). Professor He has also been the independent director of CGS International Holdings Limited since 2011.

Professor He has been appointed as (i) an independent non-executive director of China Chengtong Development Group Limited (Stock Code: 217) since September 2015, a company listed on the Main Board of the Stock Exchange; (ii) an independent director of Tibet Huayu Mining Co., Ltd. (Stock Code: 601020) since December 2024, a company listed on the Shanghai Stock Exchange; and (iii) an independent non-executive director of Bank of Tianjin Co., Ltd. (Stock Code: 1578) from June 2018 to January 2025, a company listed on the Main Board of the Stock Exchange.

Professor Hu Zuohao

Professor Hu, aged 60, graduated with a bachelor's degree in solid mechanics from Huazhong Institute of Technology* (華中工學院), the PRC (presently known as Huazhong University of Science and Technology) in July 1985. He then obtained a master's degree in industrial management engineering from Zhejiang University, the PRC in July 1988 and a doctor of philosophy in economics from Kyoto University, Japan, in January 2000. Professor Hu has been a professor of the School of Economics and Management at Tsinghua University since December 2007, an associate professor of the School of Economics and Management at Tsinghua University from August 2001 to November 2007, a lecturer at the School of Economics and Management at Tsinghua University from August 2000 to August 2001 and a lecturer at the School of Management at Zhejiang University from August 1988 to October 1995. Professor Hu is also currently the vice chairman and the enterprise working committee director of the Chinese Marketing Association of Universities and the executive deputy director of the China Enterprise Research Centre* (中國企業研究中心) of the School of Economics and Management at Tsinghua University.

Professor Hu has been the independent director of each of (i) Qingdao Richen Food Co. Ltd. (Stock Code: 603755) since May 2022, a company listed on the Shanghai Stock Exchange; (ii) Beijing Tri-Prime Gene Pharmaceutical Co., Ltd. (Stock Code: 837344) since November 2024, a company listed on the Beijing Stock Exchange; and (iii) Ocean's King Lighting Science & Technology Co., Ltd. (Stock Code: 002724) since June 2020, a company listed on the Shenzhen Stock Exchange.

Mr. Leung Ting Yuk

Mr. Leung, aged 50, graduated with a bachelor of commerce in accountancy from the University of Wollongong, Australia, in July 2000. Mr. Leung has been accredited as a Certified Practising Accountant of CPA Australia in November 2006 and as a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants in January 2008. Mr. Leung has more than 19 years of experience in the financial management, accounting and auditing field.

Mr. Leung has been appointed as an independent non-executive director of Yanchang Petroleum International Limited (Stock Code: 346) since December 2009, an independent non-executive director of Most Kwai Chung Limited (Stock Code: 1716) since March 2018, an independent non-executive director of Xinyi Energy Holdings Limited (Stock Code: 3868) since November 2018 and an independent non-executive director of Tai United Holdings Limited (Stock Code: 718) since July 2023, each being companies listed on the Main Board of the Stock Exchange.

The Company will enter into a service contract with each of Mr. Huang, Mr. Huang SF, Ms. Qian and Mr. Tong, respectively, with a term of one year from the date of appointment which shall be renewed automatically for successive terms of one year unless terminated by either party with one month's written notice. Each of Mr. Huang, Mr. Huang SF, Ms. Qian and Mr. Tong shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. Pursuant to the service contract to be entered into, each of Mr. Huang, Mr. Huang SF, Ms. Qian and Mr. Tong is entitled to a Director's fee in the amount as set out below. The Director's fee for Mr. Huang, Mr. Huang SF, Ms. Qian and Mr. Tong will be reviewed annually by the Board with reference to his/her duties and responsibilities with the Group and the Group's remuneration policy.

During their terms of service, save for the Director's fee no remuneration shall be paid by the Company to each of Mr. Huang, Mr. Huang SF, Ms. Qian and Mr. Tong for his/her service as a Director, and no other welfare or bonus shall be paid.

Nominated Director	Director's fee per annum
Mr. Huang	HK\$480,000
Mr. Huang SF	HK\$360,000
Ms. Qian	HK\$240,000
Mr. Tong	HK\$240,000

The Company will enter into a letter of appointment with each of Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung, respectively, with a term of one year from the date of appointment which shall be renewed automatically for successive terms of one year unless terminated by either party with one month's written notice. Each of Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. Pursuant to the letter of appointment to be entered into, each of Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung is entitled to a Director's fee in the amount as set out below. The Director's fee for Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung will be reviewed annually by the Board with reference to his duties and responsibilities with the Group and the Group's remuneration policy. During their terms of service, save for the Director's fee no remuneration shall be paid by the Company to each of Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung for his service as a Director, and no other welfare or bonus shall be paid.

Nominated Director	Director's fee per annum
Mr. Li	HK\$60,000
Mr. Zheng	HK\$60,000
Professor He	HK\$120,000
Professor Hu	HK\$120,000
Mr. Leung	HK\$120,000

Each of Mr. Huang, Mr. Huang SF, Ms. Qian, Mr. Tong, Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung has confirmed that, save as disclosed in the Composite Document, as at the Latest Practicable Date, he/she did not (i) hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) have any relationship with any director, senior management or substantial or controlling shareholders of the Company; (iii) hold any position in the Company

or other members of the Group; and (iv) have nor deemed to have any interest in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed in the Composite Document, there is no other information relating to the appointment of Mr. Huang, Mr. Huang SF, Ms. Qian, Mr. Tong, Mr. Li, Mr. Zheng, Professor He, Professor Hu and Mr. Leung that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules, and further announcements will be made by the Company as and when appropriate.

4. Evaluation of the Share Offer Price and the Option Offer Price

4.1 Comparison of the Share Offer Price against historical Share prices

The Share Offer Price of HK\$0.44 per Offer Share represents:

- (i) a discount of approximately 63.33% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 70.67% to the closing price of HK\$1.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 34.91% to the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.676 per Share;
- (iv) a discount of approximately 8.52% to the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.481 per Share;
- (v) a discount of approximately 7.95% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.478 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2024, being the date to which the latest published audited annual financial results of the Group were made up; and
- (vi) a discount of approximately 9.28% to the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.485 per Share (based on the total number of the issued Shares as

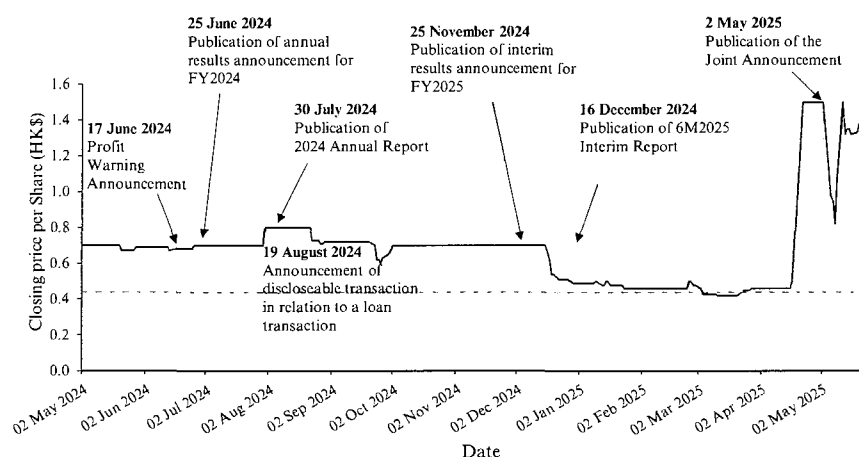
at the Latest Practicable Date) as at 30 September 2024, being the date to which the latest published unaudited interim financial results of the Group were made up.

To assess the fairness and reasonableness of the Share Offer Price, we have analysed the Share Offer Price with reference to (i) the historical price performance of the Shares; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with market comparables.

4.2 Our analysis of historical Share price performance

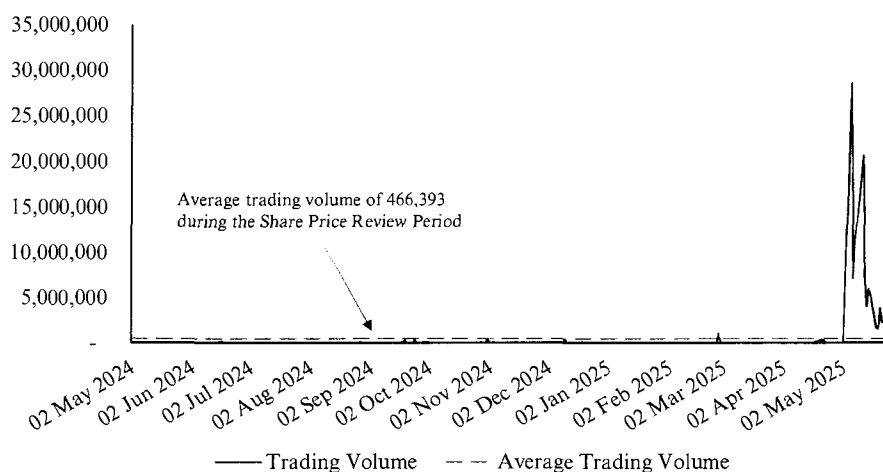
To assess the fairness and reasonableness of the Share Offer Price, we have reviewed the movements in the closing price per Share from 2 May 2024, the 12 months immediately preceding the Last Trading Day, up to the Latest Practicable Date (the “**Share Price Review Period**”). This 12-month period is commonly adopted for share price analysis and is sufficient to illustrate recent price movements, accounting for seasonal factors that may affect the Shares. This approach allows for a reasonable comparison between the Share Offer Price and the closing price of the Shares, which helps to assess the reasonableness and fairness of the Share Offer Price.

Historical Share price performance



--- Offer Price of HK\$0.44 per Offer Share

Historical trading volume



During the period from 2 May 2024 to 1 May 2025, being 12 months immediately preceding the Last Trading Day (the “**Pre-Announcement Period**”), the closing price of the Shares were traded at a price ranging from HK\$0.42 (the “**Lowest Share Price**”) to HK\$1.5 (the “**Highest Share Price**”). During the Pre-Announcement Period, the Highest Share Price represented a premium of approximately 3.4 times over the Share Offer Price, while the Lowest Share Price represented a discount of approximately 4.5% against the Share Offer Price. The average closing price per Share for the Pre-Announcement Period was approximately HK\$0.65, representing a premium of approximately 1.48 times over the Share Offer Price; in other terms the Share Offer Price is at approximately 32.3% discount to the average closing price per Share for the Pre-Announcement Period.

We noted that the Shares had been traded (i) above the Offer Price per Share for 231 days during the Share Price Review Period, representing approximately 94.3% of the total trading days during the Share Price Review Period, representing 100% of the total trading days since the publication of the Joint Announcement up to and including the Latest Practicable Date (“**Post-Announcement Period**”); (ii) below the Offer Price per Share for 14 days during the Share Price Review Period, representing approximately 5.7% of the total trading days during the Share Price Review Period and 0 day during the Post-Announcement Period, representing nil of the total trading days during the Post-Announcement Period; (iii) at the Offer Price per Share for 0 days during the Share Price Review Period and 0 day during the Post-Announcement Period.

To provide a more detail evaluation, we have further divided the Share Price Review Period with notable movements in closing price into three segments: (i) from 2 May 2024 to 16 December 2024; (ii) from 17 December 2024 to 17 April 2025; and (iii) from 22 April 2025 to the Latest Practicable Date.

From 2 May 2024 to 16 December 2024

The closing price of the Shares remained relatively stable, fluctuating between HK\$0.6 and HK\$0.8 from 2 May 2024 to 16 December 2024, with no significant variations. Based on our observation, we did not identify any public announcements from the Company that could explain the changes in the closing price of the Shares. After discussing with the Management, it was confirmed that they were not aware of any events or factors that could account for this price movement.

From 17 December 2024 to 17 April 2025

Following the publication of the 2024 Interim Report on 16 December 2024, there was a notable decline in the closing price of the Shares, falling from HK\$0.7 on 16 December 2024 to HK\$0.49 on 9 January 2025. According to the 2024 Interim Report, the Company recorded a loss attributable to owners of the Company of approximately HK\$1.1 million for the 6M2024, compared to a profit attributable to the owners of the Company of approximately HK\$1.6 million for the 6M2023. We assess that this published financial information has contributed to concerns among investors regarding the Company's future outlook, which may be reflected in the downward trend of the daily closing price of the Shares.

From 10 January 2025 to 17 April 2025, the closing price of the Shares has fluctuated near the Share Offer Price, ranging from HK\$0.42 to HK\$0.50.

From 22 April 2025 to the Latest Practicable Date

The trading of the Shares was halted on 23 April 2025 (the “**Trading Halt**”) due to the pending release of the Joint Announcement. It is noted that on 22 April 2025, the date before the Trading Halt, the closing price per Share increased from HK\$0.5 on 17 April 2025 to HK\$1.50. Following the publication of the Joint Announcement and up to the Latest Practicable Date, excluding the period when the trading of Shares was suspended, the closing price of the Shares fluctuated between HK\$0.82 and HK\$1.5.

Upon our enquiry, the Directors confirmed that, save for the publication of the Joint Announcement, they were not aware of any significant occurrences that might have influenced the Share price before and after its release. The Independent Shareholders should note that there is no guarantee that such notable price movements may or may not occur during and/or after the Offer Period.

Despite the Share Offer Price representing a discount of approximately 36.3% to the average closing price of approximately HK\$0.691 per Share during the Share Price Review Period, after careful consideration, we are of the view that the Share Offer Price is fair and reasonable after considering the following factors:

- (i) Although the Share Offer price has been substantially below the range of closing prices per Share for a significant majority of the Share Price Review Period, the Share Offer Price falls within the range of closing prices per Share during the Share Price Review Period;
- (ii) The Share Offer Price falls below the mean of approximately of HK\$0.691 and median of approximately HK\$0.7 yet the historical trading volume was extremely low during the Share Price Review Period;
- (iii) Excluding the temporary price increase observed on the Last Trading Day which is considered an outlier due to its extraordinarily high level, the average closing price quoted on the Stock Exchange for the 30 consecutive trading days leading up to and including the day before the Last Trading Day (i.e. from 6 March 2025 to 17 April 2025) was approximately HK\$0.44 per Share. The Company has advised that it is not aware of any reason for the surge in share price on the Last Trading Day. Disregarding this isolated and unexplained price spike, the average closing price of HK\$0.44 per Share aligns with the Share Offer Price; and
- (iv) Despite the price of the Shares closed above the Share Offer Price from 2 May 2025 which is believed to be due to the Joint Announcement, it is uncertain if the Share closing price can be maintained at a level higher than the Share Offer Price after the close of the Offers, taking into account that the Group was loss-making for FY2024 due to a revenue drop and the challenging operating environment as advised by the Company.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.

4.3 Our analysis on historical trading volume and liquidity

We have conducted a comprehensive analysis of the historical trading volume of the Shares during the Share Price Review Period. The table below provides key metrics, including the total volume of the Shares traded, number of trading days, average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares to the public float of the Company during the Share Price Review Period.

Period/month	Total volume of the Shares traded (Shares)	Number of trading days (days)	Average daily trading volume (Shares) (Note 1)	% of average daily trading volume over total number of issued Shares % (Note 2)	% of the monthly total trading volume of the Shares to public float of the Company % (Note 3)
2024					
May (from 2 May 2025)	74,000	21	3,524	0.001%	0.003%
June	154,000	19	8,105	0.002%	0.006%
July	2,000	22	91	0.000%	0.000%
August	110,000	22	5,000	0.001%	0.004%
September	692,000	19	36,421	0.007%	0.029%
October	416,000	21	19,810	0.004%	0.016%
November	0	21	0	0.000%	0.000%
December	484,000	20	24,200	0.005%	0.019%
2025					
January	34,000	19	1,789	0.000%	0.001%
February	1,048,000	20	52,400	0.010%	0.042%
March	70,000	21	3,333	0.001%	0.003%
April	380,000	19	20,000	0.004%	0.016%
May (up to and including the Latest Practicable Date)	118,264,682	17	6,956,746	1.390%	5.564%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares in issue at the end of each month/period.
3. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares in issue held by public Shareholders at the Latest Practicable Date.

As set out in the table above, during the Share Price Review Period excluding May, the average daily trading volume of the Shares varied from a low of zero (in November 2024) to a high of approximately 0.01% relative to the total number of issued Shares at the end of the respective month/period. Starting from the beginning of May up to and including the Last Practicable Date, the average trading volume of the Shares spiked to 1.39% relative to the total number of issued Shares. However, the data in May is excluded as it is likely a temporary and unsustainable market reaction to the Offers.

When focusing solely on the Shares held by public Shareholders (the “**Free Float Shares**”), the average daily trading volume of the Shares during the Share Price Review Period, excluding May, ranged from a low of zero to a high of approximately 0.042% relative to the total number of Free Float Shares. Starting from the beginning of May up to and including the Last Practicable Date, the average trading volume of the Shares spiked to 5.564% relative to the total number of Free Float Shares. However, the data in May is excluded as it is likely a temporary and unsustainable market reaction to the Offers.

Considering the above findings, we are of the view that the trading volume of Shares is extremely low. This raises concerns about whether there would be sufficient liquidity in the Shares for the Independent Shareholders to sell a large volume of the Shares in the open market without negatively impacting the Share price.

Due to the generally low historical trading volume of the Shares during the Share Price Review Period, the Independent Shareholders, particularly those with significant holdings, may find it challenging to sell a large number of Shares in the open market at a fixed cash price within a short period. This could lead to downward pressure on the Shares price. Therefore, the Offers allow the Independent Shareholders, particularly those holding substantial holdings, to sell at least part of their Shares at the Share Offer Price if they choose to do so.

4.4 Our analysis of market comparable

To assess the fairness and reasonableness of the Share Offer Price, we conducted an assessment to identify comparable companies listed on the Stock Exchange that meet the following criteria: (i) currently listed on the Stock Exchange; and (ii) primarily engaged in the auction business in Japan, contributing over 50% of their revenue coming from this segment in the latest financial year. These selection criteria were established after considering that the Group generates over 65% of its revenue from auction and private sales in Japan during FY2024.

Despite an exhaustive search, we were unable to identify any comparable companies that meet these criteria that are listed on the Stock Exchange. Furthermore, the Company has confirmed that it is not aware of any business primarily engaged in art auctions and related businesses in Japan that are listed on the Stock Exchange.

As such, we have extended our scope of criterion (i) to include companies listed on the Tokyo Stock Exchange, we have identified an exhaustive list of two comparable companies (“**Comparable Companies**”). Shareholders should note that companies primarily engaged in the art auction business but listed on different stock exchanges or operating in regions outside Japan or Hong Kong may not be suitable for direct comparison. Variations in the investor base, the maturity of regional stock markets, and the economic structure or stage of development of the country or region where the exchanges are located can lead to significant

differences in valuations and ratings within the same industry. Additionally, we excluded art auction companies primarily operating in other regions, as their operating conditions differ markedly from those in Japan and Hong Kong, particularly in terms of rental costs, wage levels, and overall cost structures, further complicating meaningful comparisons.

For comparison purpose, we have considered the price-to-earnings ratio (the “**P/E Ratio**”), the price-to-sale ratio (the “**P/S Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”), which are commonly used valuation benchmarks in assessing a company’s valuation. However, as the Company and all the Comparable Companies recorded loss for their latest financial year ends, P/E Ratio was not available. Given that the Group principally engages in auctioneering, a business model that is not asset-based, the P/B Ratio may not provide a meaningful basis for comparison and has therefore not been adopted in our analysis.

Details of the Comparable Companies are set out below:

Name	Stock Code	Principal Activities	Market capitalisation as at the Latest Practicable Date (JPY billion) (Note 1)	Market capitalisation as at the Latest Practicable Date (HKD million) (Note 2)	Latest audited financial year end	Revenue (JPY million)	P/S Ratio (Note 3)
New Art Holdings Co., Ltd. (株式会社NEW ART HOLDINGS)	7638.TYO	manufacture and sale of bridal jewelry, operates aesthetic salons, plans art auctions, and sells artworks, cosmetics, health food, and sporting goods in Japan.	24.98	1,361.6	31 March 2024	21,100	1.18
Shinwa Wise Holdings Co., Ltd. (株式会社Shinwa Wise Holdings)	2437.TYO	operates auctions for art and other assets, sells electricity, and engages in real estate, microfinance, and medical and cultural support businesses in Japan.	3.77	205.4	31 May 2024	2,036	1.85
		Maximum	24.98	1,361.63			1.85
		Minimum	3.77	205.38			1.18
		Mean	14.38	783.5			1.52
						Revenue (HKD million)	
The Company	1939.HK	provision of auction and related services as well as artwork sales in Hong Kong and Japan		220.0 (Note 4)		57.9	3.80 (Note 5)

Notes:

1. The market capitalisation of the Comparable Companies is calculated based on the closing price of the shares and the total issued shares of the Comparable Companies as at the Latest Practicable Date.
2. The market capitalisation of the Comparable Companies in Hong Kong Dollar is calculated at the exchange rate of 100JPY: 5.45HKD.
3. The P/S Ratio of the Comparable Companies is calculated by dividing the respective market capitalisation as at the Latest Practicable Date by their revenue as extracted from the respective latest annual report.
4. The market capitalisation of the Company implied by the Offer Price is calculated based on (i) the Offer Price of HK\$0.44 per Offer Share; and (ii) 500,000,000 Shares in issue as at the Latest Practicable Date.
5. It is calculated based on (i) the Offer Price of HK\$0.44 per Offer Share; (ii) 500,000,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the Group for FY24.

The Offer Price implies a P/S ratio of approximately 3.8x, which exceeds that of the Comparable Companies. This indicates that the valuation of the Company based on the Offer Price offered by the Offeror to the Independent Shareholders is higher than the P/S ratio of the Comparable Companies derived from their respective closing prices per share on the Latest Practicable Date. In light of the above, we are of the view that the Offer Price is indicated to be attractive in terms of valuation in comparison with the Comparable Companies.

However, this comparable analysis may have limitations due to the small sample size and differences in business nature, geographical focus, operational scale, growth prospects, and capital structure between the Group and the Comparable Companies. Therefore, this analysis serves only as a reference to provide insight into market perceptions of broadly similar businesses and should not be considered a definitive valuation indicator.

Considering the historically low trading volume of the Shares during the Share Price Review Period, Independent Shareholders, particularly those with significant shareholdings, should be aware that selling a large volume of Shares on the open market at a fixed cash price within a short timeframe may be challenging without causing downward pressure on the Share price. Therefore, they are advised to closely monitor the trading price and liquidity of the Shares during the Offer Period, take into account the potential impact on the Share price when selling in bulk, and consider the Offers as a viable alternative to exit their investments in the Shares.

4.5 Principal terms of the Option Offer

As at the Latest Practicable Date, the Company has 48,000,000 outstanding Share Options which entitle the holders thereof to subscribe for 48,000,000 new Shares at an exercise price of HK\$0.80 per Share.

In accordance with the terms of the Share Option Scheme, the Optionholders are entitled to exercise their Options in full (to the extent not already exercised) at any time after the date on which the Option Offer is declared unconditional and up to the close of the Option Offer (or any revised offer), after which the Options will lapse automatically (to the extent not exercised).

Pursuant to Rule 13 of the Takeovers Code, the Offeror will make an appropriate cash offer to the Optionholders to cancel their Share Options. The consideration for the cancellation of each Share Option would normally be the see-through price which represents the excess of the Share Offer Price per Offer Share and the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Share Options exceeds the Share Offer Price, the “see-through” price is negative and the Option Offer Price is at the nominal amount of HK\$0.0001 per Share Option.

Given that the “see-through” value of the outstanding Options is zero, we consider that the Option Offer Price of HK\$0.01 per Share Option is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATIONS

Based on our analyses above, having considered the following:

- (i) the worsening financial performance of the Group as indicated by the revenue decrease for FY2024 compared with FY2023, and the loss for the year recorded for FY2024 compared with the profit for FY2023;
- (ii) the Share Offer Price falls within the range of closing prices per Share during the Share Price Review Period;
- (iii) the Share Offer Price falls below the mean of approximately of HK\$0.652 and median of approximately HK\$0.7 yet the historical trading volume was extremely low during the Share Price Review Period except for the period after the publication of the Joint Announcement;
- (iv) excluding any temporary price increase observed on the Last Trading Day compared to the preceding day, the average closing price quoted on the Stock Exchange for the 30 consecutive trading days leading up to and including the day before the Last Trading Day (i.e. from 6 March 2025 to 17 April 2025) was approximately HK\$0.44 per Share. This amount aligns with the Share Offer Price;
- (v) despite the closing price of the Shares were above the offer price for majority of the trading days during the Share Price Review Period, it is uncertain if the Share closing price can be maintained at a level higher than the Share Offer Price after

the close of the Offers, taking into account that the Group was loss-making for FY2024 due to a revenue drop and the challenging operating environment as advised by the Company;

- (vi) due to the thin historical trading volume during the Share Price Review Period except for the period after the publication of the Joint Announcement, the closing price of the Shares, despite being most of the time higher than the Offer Price, may not be representative of the value of the Group. The recent increase in Share price and trading liquidity might be a temporary and unsustainable market reaction to the Offers. Independent Shareholders may not be able to realize their investment at the current Share price, and the available liquidity may not be sufficient;
- (vii) given the inactive trading of the Shares during the Post-Announcement Period, it is uncertain whether the Independent Shareholders will encounter difficulties in selling a significant number of the Shares in the open market in one batch and at a price higher than the Share Offer Price after the close of the Offers without negatively impacting the trading price of the Shares. The Share Offer represents an assured opportunity for Independent Shareholders to realise their investment in the Shares in one batch at a fixed price should they wish so;
- (viii) serving as a reference to provide insight into market perceptions of broadly similar businesses, our analysis on the Comparable Companies display that the Offer Price implies a P/S ratio of approximately 3.8x, which exceeds that of the Comparable Companies;
- (ix) the Option Offer Price of HK\$0.0001 is higher than the “see-through” value of the outstanding Share Options (i.e. zero) and the options will lapse at the close the offers; and
- (x) while the art auction market in Japan, which accounts for approximately 60% of the Group’s revenue, experienced growth in 2024, as advised by the Directors, and we concur, the operating environment for the Group continues to present challenges. The Group also derives around 40% of its revenue from the Hong Kong market, which, along with the mainland China market, has experienced a downturn in the global art auction industry. The unpredictability in market demand, fluctuations in valuation, and global economic challenges further impact the broader development of the art auction industry,

we are of the view that the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and Optionholders to accept the Share Offer and Option Offer respectively

Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Offers, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offers.

Independent Shareholders who, after reading through the Composite Document and this letter, wish to retain some or all of their investments in the securities of the Company, are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Offer Period.

Yours faithfully,
For and on behalf of
Emperor Corporate Finance Limited



Mark Chan
Managing Director

Yours faithfully,
For and on behalf of
Diligent Capital Limited

Huen Felix Ting Cheung
Director

Mr. Mark Chan is a licensed person and has been a responsible officer of Emperor Corporate Finance Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2018 and 2016 respectively and has over 10 years of experience in corporate finance.

Mr. Huen Felix Ting Cheung is a licensed person and has been a responsible officer of Diligent Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO since 2022 respectively and has over 10 years of experience in corporate finance.

Independent Shareholders who, after reading through the Composite Document and this letter, wish to retain some or all of their investments in the securities of the Company, are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Offer Period.

Yours faithfully,
For and on behalf of
Emperor Corporate Finance Limited

Mark Chan
Managing Director

Yours faithfully,
For and on behalf of
Diligent Capital Limited



Huen Felix Ting Cheung
Director

Mr. Mark Chan is a licensed person and has been a responsible officer of Emperor Corporate Finance Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2018 and 2016 respectively and has over 10 years of experience in corporate finance.

Mr. Huen Felix Ting Cheung is a licensed person and has been a responsible officer of Diligent Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO since 2022 respectively and has over 10 years of experience in corporate finance.