



SOMERLEY CAPITAL LIMITED

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24 October 2025

To: the Disinterested Shareholders

Dear Sirs,

**(1) PROPOSED SHARE BUY-BACK OF JOY CITY PROPERTY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING JOY CITY PROPERTY LIMITED**

INTRODUCTION

We refer to our appointment to advise the Disinterested Shareholders in connection with the Proposal (including the Scheme). Details of the Proposal are set out in the scheme document of the Company dated 24 October 2025 (the "**Scheme Document**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 31 July 2025, the Board resolved to put forward the Proposal to the Scheme Shareholders for the proposed share buy-back of the Company by way of a scheme of arrangement under Section 99 of the Companies Act. The Scheme will involve the cancellation of the Scheme Shares and, in consideration, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and the withdrawal of listing of the Shares on the Stock Exchange. Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.62 in cash for each Scheme Share.

Pursuant to Rule 3.3 of the Share Buy-backs Code, as no Directors will be considered as independent in respect of the Proposal, it is not possible for the Company to form an independent board committee to advise and make recommendations to the Disinterested Shareholders as to (a) whether the terms of the Proposal and the Scheme and the Controlling Shareholders Rollover Arrangement are, or are not, fair and reasonable; and (b) whether to vote in favor of the Scheme at the Court Meeting. Under Rule 2.8 of the Takeovers Code, we, Somerley Capital Limited, have been appointed by the Board as the Independent Financial Adviser to advise the Disinterested Shareholders on the Proposal and as to voting.



We are not associated with the Company, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly we are considered eligible to give independent advice on the Proposal. In the past two years prior to this appointment, we did not act as financial adviser to or agent for the Company, its substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed, among other things, (i) the annual reports of the Company for each of the two years ended 31 December 2023 (the **"2023 Annual Report"**) and 31 December 2024 (the **"2024 Annual Report"**) and the interim report of the Company for six months ended 30 June 2025 (the **"2025 Interim Report"**); (ii) the trading performance of the Shares on the Stock Exchange; (iii) the Announcement; (iv) the valuation report prepared by Cushman & Wakefield (the **"Property Valuer"**) on the property interests of the Group as at 31 July 2025 (the **"Property Valuation Reports"**); and (v) other information contained in the Scheme Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document and will continue to be true up to the time of the Court Meeting, and Shareholders will be informed of any material change as soon as possible.

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

PRINCIPAL TERMS OF THE SCHEME

The terms set out below are summarised from the letter from the board (the **"Letter from the Board"**) and the explanatory memorandum (the **"Explanatory Memorandum"**) contained in the Scheme Document. The Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.



The Scheme

On 31 July 2025, the Board resolved to put forward the Proposal to the Scheme Shareholders for the proposed share buy-back of the Company by way of a scheme of arrangement under Section 99 of the Companies Act. The Scheme will involve the cancellation of the Scheme Shares and, in consideration, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and the withdrawal of listing of the Shares on the Stock Exchange.

No offer will be made by the Company for the outstanding Convertible Preference Shares under Rule 14 of the Takeovers Code, as all of the issued Convertible Preference Shares will be subject to the Controlling Shareholders Rollover Arrangement.

Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.62 in cash for each Scheme Share.

As at the Latest Practicable Date, the Company has no declared but unpaid dividends and/or distribution and/or other return capital and the Company does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Company shall reduce the Cancellation Price by all of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

As disclosed in the Letter from the Board and the Explanatory Memorandum, the Company will not increase the Cancellation Price and does not reserve the right to do so.

The Shares in which the Controlling Shareholders are interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company's Shares will be owned as to approximately 96.13% and 3.87% by Grandjoy Holdings Group and Achieve Bloom, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$3,000,000,000 divided into 28,904,699,222 Shares and 1,095,300,778 Convertible Preference Shares, and the Company has 14,231,124,858 Shares and 1,095,300,778 Convertible Preference Shares in issue. Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

According to the Letter from the Board and the Explanatory Memorandum, the Cancellation Price has been determined after taking into account, among other things, the market valuations (price-to-book ratio) of Hong Kong listed companies comparable to the business of the Group, the outlook of the Company, trading prices of the Shares on the Stock Exchange, and pricing premiums over the prevailing prices of recent privatization transactions in Hong Kong.



During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.590 on 11 and 15 September 2025 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.196 on 7 April 2025.

Confirmation of Financial Resources

Assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to and including the Scheme Record Date, the Proposal will involve the cancellation of 4,729,765,214 Scheme Shares in exchange for the Cancellation Price of HK\$0.62 per Scheme Share, and the maximum cash consideration payable by the Company under the Proposal is approximately HK\$2,932,454,433.

The Company proposes to finance the cash consideration payable under the Proposal by internal resources and the Loan Facility.

CITICS HK, the exclusive financial adviser to the Company in connection with the Proposal, is satisfied that sufficient financial resources are available to the Company to satisfy the maximum amount of cash consideration payable under the Proposal.

Conditions of the Proposal and the Scheme

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

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (c) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (d) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme), other than such actions, proceedings, suits, investigations or enquiries as would not have material adverse effect on the legal ability of the Company to proceed with the Proposal or the Scheme;



- (e) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory or administrative requirements expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme, in each case up to and as at the Effective Date;
- (f) since the Latest Practicable Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal);
- (g) all Approvals which are required in connection with the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation;
- (h) all necessary consents and waivers which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Group having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group.

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

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

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

In respect of Condition (g), as at the Latest Practicable Date, other than the Conditions (a) to (c) (inclusive) as set out above and the approval by the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange, the Company is not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal. As at the Latest Practicable Date, the Company is not aware of any circumstances which may result in Conditions (f) and (h) not being satisfied.

As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.



As stated above, although the Company reserves the right to waive Conditions (d) to (h), such waivers may only be exercised to the extent permitted by Applicable Laws, the Listing Rules and the Takeovers Code. Specifically, (i) Conditions (d) to (f) stipulate, among others, that the Company shall not be subject to any actions, proceedings, suits, investigations or enquiries, nor face any legal, regulatory or administrative requirements, and shall have no material adverse change since the Latest Practicable Date, and (ii) Conditions (g) and (h) stipulate, among others, that all Approvals and necessary consents and waivers related to the Proposal to be obtained or waived.

Given that (i) invoking each of the Conditions (d) to (f) would indicate adverse circumstances affecting the Company and/or the Proposal; and (ii) the Company's ability to waive these conditions is constrained by Applicable Laws, the Listing Rules, and the Takeovers Code, we consider the waivable nature of these Conditions to be in the interests of the Disinterested Shareholders. This flexibility ensures that, to the extent permissible by Applicable Laws, the Listing Rules and the Takeovers Code, the Disinterested Shareholders retain the opportunity to vote on and/or participate in the Proposal and the Scheme, even if adverse circumstances arise in relation to the Company and/or the Proposal.

Warnings: Shareholders and potential investors should be aware that the Proposal is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group

1.1. Background information of the Group

The Company is an investment holding company incorporated in Bermuda. The Group is principally engaged in development, operation, sales, leasing and management of mixed-use complexes and commercial properties in the PRC. The Group develops, holds and operates various property projects in the PRC and Hong Kong.



1.2. Financial information of the Group

(i) Financial performance

Set out below is a summary of the Group's consolidated financial performance for the two years ended 31 December 2023 and 2024 ("FY2023" and "FY2024" respectively) as extracted from the 2024 Annual Report; and six months ended 30 June 2024 and 2025 ("1H2024" and "1H2025" respectively) as extracted from the 2025 Interim Report.

	FY2023	FY2024	1H2024	1H2025
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	13,272,094	19,831,005	8,622,134	8,123,840
– Rental income from investment properties and related services income	4,359,321	4,176,186	2,090,723	2,037,959
– Sales of properties held for sale	7,705,374	14,544,851	5,975,356	5,480,798
– Hotel operations	969,750	868,805	467,518	466,160
– Output management project	169,489	175,579	72,957	107,211
– Other service income	68,160	65,584	15,580	31,712
Cost of sales and services rendered	(7,630,603)	(14,191,649)	(5,905,391)	(5,326,969)
Gross profit	5,641,491	5,639,356	2,716,743	2,796,871
Other income	454,529	366,566	225,251	88,389
Other gains and losses, net	867,086	140,557	(194,630)	(181,692)
Impairment losses under expected credit loss model, net of reversal	(974,289)	(462,277)	(37,775)	(17,733)
Distribution and selling costs	(861,985)	(1,022,513)	(393,585)	(382,460)
Administrative expenses	(911,327)	(820,648)	(346,477)	(367,651)
Fair value (loss)/gain on investment properties	85,473	(146,840)	(52,356)	4,694
Finance costs	(1,558,090)	(1,382,330)	(727,990)	(563,302)
Share of profits/(losses) of associates	87,858	13,165	(16,387)	14,301
Share of profits/(losses) of joint ventures	832,268	218,933	150,063	(7,983)
Profit before income tax	3,663,014	2,543,969	1,322,857	1,383,434
Income tax expense	(2,243,388)	(1,760,765)	(564,134)	(711,575)
Profit for the year/period	1,419,626	783,204	758,723	671,859
Profit/(Loss) for the year/period attributable to owners of the Company	340,027	(293,824)	142,585	104,657



1H2025 vs 1H2024

The Group principally engaged in property investment and development and hotel operations. In 1H2025, over 60% of the revenue was derived from sales of properties held for sale. The Group's total revenue decreased by approximately 5.8% from approximately RMB8,622.1 million for 1H2024 to approximately RMB8,123.8 million for 1H2025, mainly due to the decrease in property development revenue during the period. In 1H2025, the Group's revenue derived from property development business was approximately RMB5,480.8 million, representing a year-on-year decrease of 8.3% from that of approximately RMB5,975.4 million for 1H2024, mainly due to the decrease in settlement area of approximately 32% for 1H2025 as compared to that for 1H2024. However, as disclosed in 2025 Interim Report, the average settlement unit price increased by approximately 33% for 1H2025 as compared to that for 1H2024. The gross profit margin of the property development business was 18% for 1H2025, increased by 3 percentage points as compared with that for 1H2024. Total rental income from investment properties and related services income amounted to approximately RMB2,038.0 million for 1H2025, representing a year-on-year decrease of 2.5% from approximately RMB2,090.7 million for 1H2024, mainly due to the inclusion of Chengdu Joy City in the corresponding period of last year. The gross profit margin of the investment properties business was 78%, which remained broadly stable on a year-on-year basis. Income from shopping malls and office buildings contributed approximately 88% and 9% of the total revenue for 1H2025, respectively. As disclosed in the 2025 Interim Report, the occupancy rate of the major investment properties of the Group remained relatively high, ranging from 85% to 100%.

The gross profit of the Group increased from approximately RMB2,716.7 million for 1H2024 to approximately RMB2,796.9 million for 1H2025. The gross profit margin in 1H2025 was approximately 34.4%, representing a year-on-year increase of 2.9 percentage points, mainly due to the growth in gross profit margin from the settlement of properties for sale, leading to an overall increase in gross profit margin.

The profit before income tax of the Group increased by approximately 4.6% from approximately RMB1,322.9 million for 1H2024 to RMB1,383.4 million for 1H2025. Such increase was mainly due to (i) the decrease in finance costs; (ii) the increase in gross profit as mentioned above; and (iii) the fair value gain on investment properties recorded for 1H2025 as compared to the fair value loss on investment properties for 1H2024, which was partially offset by (i) the share of losses of joint ventures for 1H2025 as compared to the share of profits of joint ventures for 1H2024; and (ii) the decrease in other income.



In 1H2025, the Group recorded profit for the period of approximately RMB671.9 million and recorded a profit attributable to the owners of the Company amounted to approximately RMB104.7 million, representing a decreased of approximately 11.4% and 26.6% from that for 1H2024, respectively, mainly due to the decrease in share of profits of joint ventures.

FY2024 vs FY2023

The Group's revenue increased by approximately 49.4% from RMB13,272.1 million for FY2023 to RMB19,831.0 million for FY2024. Over 70% of the revenue is derived from sales of properties held for sale. In FY2024, the Group's operating revenue from the property development segment was approximately RMB14,544.9 million, representing an increase of approximately 88.8% from approximately RMB7,705.4 million for FY2023, mainly attributable to the increase contracted sales amount in Eastern China. However, as disclosed in the 2024 Annual Report, the gross profit margin of the property development segment in FY2024 was 14%, representing a decrease of 10 percentage points as compared to FY2023. The rental income from investment properties and related services income was approximately RMB4,176.2 million in FY2024, representing a decrease of approximately 4.2% as compared with RMB4,359.3 million in FY2023. As disclosed in the 2024 Annual Report, the occupancy rate of the major investment properties of the Group remained relatively high, ranging from 87% to 100%.

The gross profit of the Group slightly decreased from approximately RMB5,641.5 million for FY2023 to approximately RMB5,639.4 million for FY2024. The gross profit margin in FY2024 was approximately 28.4%, representing a decrease of 14.1 percentage points as compared with approximately 42.5% in FY2023, mainly attributable to the decrease of gross profit margin in property development segment as mentioned above.

The profit before income tax of the Group decreased by approximately 30.5% from approximately RMB3,663.0 million in FY2023 to RMB2,544.0 million in FY2024. Such decrease was mainly due to (i) decrease of other gains and losses, net; (ii) decrease of share of profits of joint ventures; (iii) fair value loss on investment properties; and (iv) increase in distribution and selling costs; partially offset by the decrease of impairment losses under expected credit loss model, net of reversal and decrease of finance costs.

In FY2024, the Group recorded profit for the year of approximately RMB783.2 million and recorded a loss attributable to the owners of the Company amounted to approximately RMB293.8 million. As disclosed in the 2024 Annual Report, it is mainly due to the impacts of the settlement and development cycle of several cooperative property development projects of the Group, resulting in a decrease in the share of profits of associates and joint ventures compared to FY2023; and a gain before tax from the disposal of subsidiaries of the Company in FY2023 while a year-on-year decrease in the related income during FY2024.



(ii) *Financial position*

Set out below is a summary of the selected items of consolidated financial position of the Group as at 31 December 2023, 31 December 2024 and 30 June 2025 as extracted from the 2024 Annual Report and the 2025 Interim Report:

	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>	As at 31 December 2024 <i>RMB'000</i> <i>(Audited)</i>	As at 30 June 2025 <i>RMB'000</i> <i>(Unaudited)</i>
ASSETS			
Non-current assets			
Investment properties	56,949,328	55,645,208	55,885,784
Interests in joint ventures	6,675,550	6,894,190	6,886,207
Interests in associates	1,461,151	3,675,206	3,648,035
Property, plant and equipment	2,893,040	2,765,556	2,779,150
Right-of-use-assets	1,465,333	1,450,670	1,428,564
Others	2,214,688	2,021,513	1,131,370
	71,659,090	72,452,343	71,759,110
Current assets			
Properties under development for sale	38,915,341	29,502,092	26,150,697
Cash and bank balances	19,432,196	19,120,129	16,778,011
Properties held for sale	5,152,062	6,654,121	6,957,239
Deposits, prepayments and other receivables	3,734,972	3,564,157	3,582,521
Loans to associates	1,752,028	1,554,553	1,560,116
Others	2,973,389	2,377,128	3,282,909
	71,959,988	62,772,180	58,311,493
Total assets	143,619,078	135,224,523	130,070,603
LIABILITIES			
Non-current liabilities			
Bank borrowings	18,347,571	25,372,083	25,803,523
Deferred tax liabilities	7,164,608	7,299,423	7,261,737
Loans from a joint ventures	5,824,800	3,574,800	3,574,800
Bonds payable	3,264,939	2,198,546	1,199,050
Loans from a third party	6,924,780	1,200,000	—
Loans from associates	248,934	1,547,022	1,507,822
Others	1,286,869	947,559	808,617
	43,062,501	42,139,433	40,155,549



	As at 31 December 2023 RMB'000 (Audited)	As at 31 December 2024 RMB'000 (Audited)	As at 30 June 2025 RMB'000 (Unaudited)
Current liabilities			
Contract liabilities	19,447,315	14,484,718	11,746,433
Bank borrowings	7,202,336	4,465,332	3,722,951
Other payables and accruals	6,676,020	6,463,911	6,285,073
Accounts payables	5,437,282	4,309,380	3,749,035
Loans from a third party	974,020	1,200,000	2,400,000
Bonds payable	819,614	1,881,164	1,024,371
Loans from a joint venture	—	2,250,000	2,250,000
Others	3,562,662	2,633,309	2,955,574
	44,119,249	37,687,814	34,133,437
Total liabilities	87,181,750	79,827,247	74,288,986
EQUITY			
Equity attributable to owners of the Company	29,916,364	29,532,495	29,724,493
Perpetual capital instruments	5,601,361	5,179,771	5,256,525
Non-controlling interests	20,919,603	20,685,010	20,800,599
Total equity	56,437,328	55,397,276	55,781,617

Total assets of the Group amounted to approximately RMB143,619.1 million, RMB135,224.5 million and RMB130,070.6 million as at 31 December 2023, 2024 and 30 June 2025, respectively. As at 30 June 2025, the Group's total assets mainly comprised of (i) investment properties of approximately RMB55,885.8 million; (ii) properties under development for sale of approximately RMB26,150.7 million, and (iii) cash and bank balances of approximately RMB16,778.0 million.

Total liabilities of the Group amounted to approximately RMB87,181.8 million, RMB79,827.2 million and RMB74,289.0 million as at 31 December 2023, 2024 and 30 June 2025, respectively. As at 30 June 2025, the Group's total liabilities mainly comprised of (i) bank borrowings of approximately RMB29,526.5 million; (ii) contract liabilities of approximately RMB11,746.4 million; (iii) deferred tax liabilities of approximately RMB7,261.6 million; and (vi) other payables and accruals of approximately RMB6,800.4 million.



Net assets of the Group remained relatively stable at approximately RMB56,437.3 million, RMB55,397.3 million and RMB55,781.6 million as at 31 December 2023, 2024 and 30 June 2025, respectively.

(iii) The Adjusted NAV

The valuation of property interests of the Group and the associated companies in which the Company has a direct or indirect interest of 30% or more of the voting rights except those exempted from valuation by the Executive as at 31 July 2025 have been conducted by independent professional valuers appointed by the Group. The total market value of the aforesaid property interests attributable to the Group as at 31 July 2025 was approximately RMB74,775 million. Further details of the Property Valuation Reports were set out in Appendix III to the Scheme Document. Reference is made to the paragraph headed “4. Property interests and Adjusted NAV set out in “Appendix I – Financial information of the Group” contained in the Scheme Document. For illustration purpose, set out below is the calculation of the Adjusted NAV of the Group taking into account the effect of revaluation surplus arising from the valuation of the properties interests as set out in the Property Valuation Reports.

	<i>RMB'000</i>
The unaudited net asset value attributable to owners of the Company as at 30 June 2025	29,724,493
<i>Adjustments:</i>	
– Revaluation surplus arising from the valuation of the property interest of the Group as at 31 July 2025 (<i>Note i</i>)	1,532,133
– Estimated deferred tax on revaluation surplus attributable to the Group (<i>Note ii</i>)	(383,291)
Adjusted net asset value attributable to owners of the Company	30,873,335
Adjusted NAV(RMB) (<i>Note iii</i>)	2.01
Adjusted NAV (HK\$) (<i>Note iv</i>)	2.20



Notes:

- (i) Represents the net revaluation surplus arising from the net excess of the market values of the property interests attributable to the Group as at 31 July 2025, over their corresponding book values attributable to the Group as at 30 June 2025. The market values and book values of overseas property interests were translated to RMB at the exchange rates published by the People's Bank of China on 31 July 2025.
- (ii) Represents estimated deferred tax on the temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit. Estimated deferred tax is calculated based on the corporate income tax rates applicable to properties in different countries or regions. No PRC land appreciation tax was estimated.
- (iii) Based on 14,231,124,858 ordinary shares and 1,095,300,778 Convertible Preference Shares in issue as at the Latest Practicable Date.
- (iv) Based on an exchange rate of HK\$1:RMB0.912 published by the People's Bank of China on 30 June 2025.

2. Outlook of the property development industry in the PRC

The property development market in China has been undergoing a prolonged adjustment since the early 2020s. In 2025, the property development market in China continues to face challenges with ongoing contractions across key indicators as per data from the National Bureau of Statistics. For January to June 2025, the total investment in real estate development amounted to RMB4,665.8 billion, reflecting a year-on-year (“YoY”) decline of 11.2%. This includes RMB3,577 billion in residential buildings, representing decline of approximately 10.4% YoY, RMB179.2 billion in office buildings, representing decline of approximately 16.8% YoY, and RMB329.4 billion in buildings for commercial business, representing decline of approximately 8.4% YoY. In addition, the key construction metrics also indicate slowdowns, with the floor space of buildings under construction by real estate development enterprises amounted to 6,333.21 million square meters in 1H2025, down by approximately 9.1% YoY.

As discussed under the section headed “1.2 Financial information of the Group” above, despite the total revenue of the Group has shown significant growth in FY2024 due to the sales of properties held for sales, the gross profit of the Group remained steady and the gross profit margin in the property development segment has been decrease by 14.1 percentage points. In addition, the Group has recorded a loss attributable to the owners of the Group amounted to approximately RMB293.8 million. We are of the view that the future business development and prospects of the Group are still subject to uncertainties associated with macroeconomic environment and factors surrounding, including but not limited to (i) the persistent downturn in the property development market, with inventory pressures and reduced developer activity as mentioned above; and (ii) the economic outlook in the PRC amid various ongoing regional geopolitical and trade conflicts, affecting the overall business and commercial sentiment. As such, the Proposal in our view gives an opportunity to Disinterested Shareholders to exit at premium to recent market prices and avoid risks of industry prospects and future volatilities of the PRC property markets.



3. Reasons for and benefits of the Proposal

As set out in the section headed “Reasons for and benefits of the Proposal” in the Explanatory Memorandum, the reasons for and benefits of the Proposal are as follows:

3.1 Flexibility for the Company to make long term strategic decisions as a private company

As the Company is controlled by an A-share listed shareholder (i.e. Grandjoy Holdings Group), the current structure adds complexity to corporate governance and hampers efficiency of decision-making. The Proposal aims to streamline the Company’s governance framework, corporate structure, and shareholdings, thereby enhancing management effectiveness. Upon the Scheme becoming effective, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. Consequently, business strategies, major investments and capital operations will no longer be subject to the approvals of the Board and/or Shareholders in shareholders’ meetings under the Listing Rules. This will shorten decision-making cycles, improve operational efficiency and reduce associated costs.

3.2 The Company has limited equity financing capabilities and advantages as a listed platform

The Company’s Share price has been trading at a discount to its net assets per share and its overall liquidity is low over the past few years. The average daily trading volume of the Shares for the average of 1-year period, 2-year period, 3-year period, 4-year period and 5-year period up to and including the Last Trading Date were approximately 11,337,835 Shares, 7,909,905 Shares, 6,571,201 Shares, 6,214,278 Shares and 6,421,102 Shares per day, respectively, representing only approximately 0.080%, 0.056%, 0.046%, 0.044% and 0.045% of the total issued Shares as at the Last Trading Date respectively, and approximately 0.240%, 0.167%, 0.139%, 0.131% and 0.136% of the public float shares as at the Last Trading Date respectively, and restricting the Company’s ability to raise capital from the capital market. Given the challenging and complex market environment, the Company’s listing status hardly offers sufficient offshore funding support and is unlikely to see material improvement in the foreseeable future.

3.3 The Proposal offers Scheme Shareholders an opportunity to realize a premium on their investment in the Company

In light of the prevailing market conditions and the challenges confronting the Hong Kong property sector, the proposed Cancellation Price sets an attractive premium over the market price of the shares and enables the Scheme Shareholders to realize their investment in the Company at an attractive premium over the current market price of the Shares. The Cancellation Price of HK\$0.62 per Scheme Share represents (i) a premium of 67.57% over the closing price of HK\$0.370 per Share on the Last Trading Day; (ii) a premium of 80.49% and 129.66% over the average of the closing prices of approximately HK\$0.344 per Share and HK\$0.270 per Share as quoted on the Stock Exchange for the last 10 and 30 consecutive trading days up to and including the Last Trading Day; and (iii) a premium of 10.71% over the closing price of HK\$0.560 per share as quoted on the Stock Exchange on the Latest Practicable Date.



We also note that the Cancellation Price of HK\$0.62 per Scheme Shares also represents (i) a discount of approximately 74.84% and 75.64% to the unaudited consolidated net asset value attributable to shareholders of the Company per Share and Convertible Preference Shares of approximately HK\$2.465 as at 30 June 2025 and the adjusted net asset value per Share and Convertible Preference Shares of approximately HK\$2.546 as at 30 June 2025, respectively. Detail analysis has been performed as set out in the sections headed “6. Historical discount of market price of the Share to the net asset value per Share and Convertible Preference Share” and “8. Privatisation Precedents” below.

3.4 The Proposal provides Scheme Shareholders with an exit opportunity given the low trading liquidity

Given the limited trading liquidity of the Shares, investors face challenges in executing substantial on-market disposals at favorable prices, which may result in a discounted exit value due to share illiquidity. The Proposal provides an attractive exit opportunity for Scheme Shareholders without having to suffer from illiquidity discount.

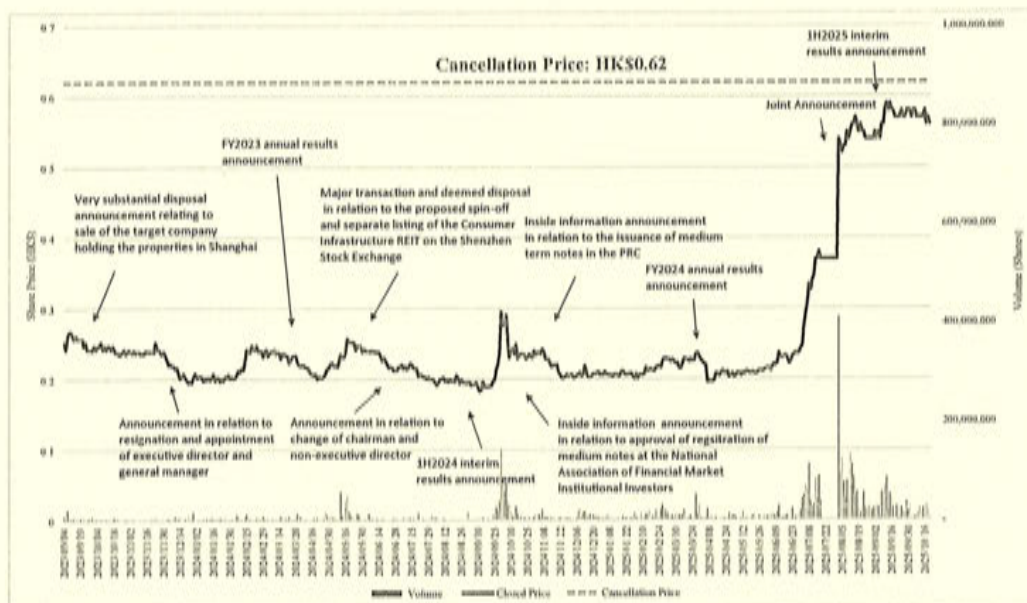
4. Intention of the Company with regard to the Group

As stated in the Letter from the Board, as at the Latest Practicable Date, it is the intention of the Company for the Group to continue to carry on its existing business and the Company does not have any plan to make any material changes to (a) the existing business and operation of the Group; or (b) the continued employment of the employees of the Group (other than in the ordinary course of business of the Group).

5. Analysis on price performance and trading liquidity of the Shares

5.1 Historical price performance of the Shares

Set out below are the closing prices of the Shares during the period from 4 September 2023 to the Latest Practicable Date (the “**Review Period**”). Announcements of the Company relating to certain corporate events that took place during the Review Period are noted. We consider the Review Period, which covers a period of more than 24 months, to be reasonable and representative as we consider it a sufficient period to provide a general overview of the recent market performance of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Cancellation Price per Scheme Share.



Source: Website of the Stock Exchange and Bloomberg

The closing prices of the Shares ranged from HK\$0.183 to HK\$0.380 per Share during the period between 4 September 2023 and the Last Trading Day (both dates inclusive, the “Pre-announcement Period”), with an average of around HK\$0.224 per Share.



At the start of the Review Period from 4 September 2023 up to December 2023, the closing price of the Shares exhibited a modest downward trend from the high of HK\$0.267 per Share on 7 and 11 September 2023 to a low of HK\$0.195 per Share on 21 and 27 December 2023. During such period, the Company has published the very substantial disposal announcement relating to sale of the target company holding the properties in Shanghai on 27 September 2023 and the announcement relating to the resignation and appointment of executive director and general manager of the Company on 11 December 2023 and there is no material impact on the Shares price.

The closing price of the Shares remained relatively stable in January 2024 and early February 2024, then the Share price recovered slightly in late February 2024 and recorded HK\$0.247 on 20 and 23 February 2024. The Share price resumed to a downward trend after February 2024. On 28 March 2024 (after trading hours), the Company published the FY2023 annual results announcement, which the Board has recommended the final dividend of HK\$0.72 cents per Share and a special dividend of HK0.72 cents per Share. The Share price, however, decreased by 3.86% from HK\$0.233 per Share on 28 March 2024 to HK\$0.224 per Share on 2 April 2024. A notable uptrend in late April pushed the closing price of the Shares to a peak of HK\$0.257 on 17 May 2024. On 24 May 2024 (after trading hours), the Company published the major transaction and deemed disposal announcement in relation to the proposed spin-off and separate listing of the Consumer Infrastructure REIT on the Shenzhen Stock Exchange. The Share price increased by approximately 2.49% and closed at HK\$0.247 per Share on 27 May 2024. Since then, the closing price of the Shares resumed to a downward trend from June 2024 to mid-September 2024. On 29 August 2024 (after trading hours), the Company published the interim results announcement for 1H2024 and there is no material impact on the Share price. The closing price of the Shares further decreased to HK\$0.183 on 11 September 2024, an all-time low in the Review Period. Since then, the closing price of the Shares surged significantly to HK\$0.236 by end of September 2024. On 30 September 2024 (after trading hours), the Company published the inside information announcement in relation to the approval of registration of medium notes at the National Association of Financial Market Institutional Investors. The closing price of the Shares increased significantly by approximately 25.00% from HK\$0.236 per Share on 30 September 2024 to HK\$0.295 per Share on 2 October 2024. The closing price of the Share gradually decreased to HK\$0.240 per Share on 31 October 2024, highlighting relief over liquidity in a debt-stressed property development sector. On 6 November 2024 (after closing hour), the Company published the inside information announcement in relation to the issuance of medium term notes in the PRC, and the closing price of the Shares increased by approximately 2.98% on the next trading day.



From November 2024 to March 2025, the closing price of the Share fluctuated within a range of HK\$0.201 per Share to HK\$0.242 per Share. On 27 March 2025 (after trading hours), the Company published the annual results announcement for FY2024. The closing price of the Share decreased by approximately 2.11% from HK\$0.237 per Share on 27 March 2025 to HK\$0.232 per Share on 28 March 2025. From April 2025 to June 2025, the Share price fluctuated within a range of HK\$0.196 per Share to HK\$0.244 per Share. A strong rally began in early July, lifting the price from HK\$0.247 per Share on 3 July 2025 to HK\$0.380 per Share on 16 July 2025 and HK\$0.370 per Share on the Last Trading Day, which is aligned with the upward trend of Hang Seng Index in July. We have also reviewed the announcements of the Company, none of which, in our view, is likely to be the direct cause of the fluctuation in the Share price.

Trading in the Shares was suspended from 18 July 2025 to 31 July 2025 pending the release of the Announcement. Following the publication of the Announcement after trading hours on 31 July 2025 and the resumption of trading on 1 August 2025, the closing price of the Shares increased to HK\$0.540 per Share on 1 August 2025, representing an increase of around 45.95%. Since then, the closing Share price fluctuated in a range within HK\$0.520 per Share to HK\$0.590 per Share, with an average of approximately HK\$0.560 per Share. The closing Share price as at Latest Practicable Date was HK\$0.560 per Share, which we consider was largely determined by the Cancellation Price of HK\$0.62 per Scheme Share. The Cancellation Price was higher than the closing prices of Shares during the entire Review Period.

The Cancellation Price of HK\$0.62 per Scheme Share in cash represents:

- (i) a premium of approximately 10.71% over the closing price of HK\$0.560 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 67.57% over the closing price of HK\$0.370 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 68.94% over the average closing price of HK\$0.367 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 80.49% over the average closing price of HK\$0.344 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 129.66% over the average closing price of HK\$0.270 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;



- (vi) a premium of approximately 158.62% over the average closing price of HK\$0.240 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 172.25% over the average closing price of HK\$0.228 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 70.20% to the audited consolidated net asset value attributable to shareholders of the Company per Share and Convertible Preference Shares (based on the total number of Shares and Convertible Preference Shares as at 31 December 2024) of approximately HK\$2.081 as at 31 December 2024 (based on an exchange rate of HK\$1.0 = RMB0.92604);
- (ix) a discount of approximately 70.85% to the unaudited consolidated net asset value attributable to shareholders of the Company per Share and Convertible Preference Shares (based on the total number of Shares and Convertible Preference Shares as at 30 June 2025) of approximately HK\$2.127 as at 30 June 2025 (based on an exchange rate of HK\$1.0 = RMB0.91195); and
- (x) a discount of approximately 71.82% to the Adjusted NAV per Share and Convertible Preference Shares of approximately HK\$2.20 (based on an exchange rate of HK\$1.0 = RMB0.912).

On the above basis, the Cancellation Price of HK\$0.62 per Scheme Share represents premiums in a range of approximately 67.57% to 172.25% over the closing Share prices for various periods before the Last Trading Day.

As at the Latest Practicable Date, the Share price closed at HK\$0.560 per Share, representing a discount of approximately 9.68% to the Cancellation Price of HK\$0.62 per Scheme Share. Disinterested Shareholders should note that there is no assurance that the Share price will remain at the current level if the Scheme is not approved.



5.2 Trading liquidity of the Shares

Set out below in the table are the average daily trading volume of the Shares, the percentages of the average daily trading volume to the total number of issued Shares of the Company and the percentages of average daily trading volume to the public float of the Company respectively during the Review Period:

	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total number of issued Shares (Note 1)	Approximate % of average daily trading volume to the public float of the Company (Note 2)
2023			
September	5,588,526	0.04%	0.12%
October	2,459,700	0.02%	0.05%
November	1,387,182	0.01%	0.03%
December	4,443,724	0.03%	0.09%
2024			
January	2,902,295	0.02%	0.06%
February	4,545,895	0.03%	0.10%
March	3,560,100	0.03%	0.08%
April	4,926,793	0.03%	0.10%
May	13,572,952	0.10%	0.29%
June	3,099,263	0.02%	0.07%
July	3,246,818	0.02%	0.07%
August	2,223,818	0.02%	0.05%
September	7,278,919	0.05%	0.15%
October	26,765,231	0.19%	0.57%
November	5,711,524	0.04%	0.12%
December	8,516,493	0.06%	0.18%
2025			
January	4,156,316	0.03%	0.09%
February	12,343,564	0.09%	0.26%
March	11,843,436	0.08%	0.25%
April	5,829,105	0.04%	0.12%
May	5,578,000	0.04%	0.12%
June	9,701,810	0.07%	0.21%
July (up to Last Trading Date)	58,246,333	0.41%	1.23%
Average during the Pre-announcement Period (Note 3)	8,176,329	0.06%	0.17%



	Average daily trading volume of the Shares	Approximate % of average daily trading volume to the total number of issued Shares (Note 1)	Approximate % of average daily trading volume to the public float of the Company (Note 2)
From 1 August 2025 to the Latest Practicable Date (the "Post- announcement Period") (Note 4)	43,624,385	0.31%	0.92%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the average daily trading volume of Shares for the month divided by the total number of issued Shares as at the end of the relevant month or as at the Last Trading Date or the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public is calculated based on the total number of issued Shares as at the end of each month, the Last Trading Date or the Latest Practicable Date, as applicable, excluding those held by the Controlling Shareholders.
3. The calculation is based on the average daily trading volume as a percentage to total number of issued Shares and to the public float of the Company respectively.
4. 1 August 2025, being the date of the first trading day immediately following the publication of the Announcement.

From the table above, which outlines the average daily trading volume of the Shares as a percentage to the total issued Shares and to the public float of the Company respectively, we note that except for July 2025 and the Post-announcement Period, the average daily trading volume of the Shares has been generally thin. The average daily trading volume of the Shares during the Pre-announcement Period was 8,176,329 Shares, representing around 0.04% of the total number of issued Shares of the Company and around 0.03% of the total number of issued Shares held by public. The publication of the Announcement was however noted to have heightened the trading activity, with the average daily trading volume of the Shares increased to 43,624,385 Shares (representing around 0.31% of the total number of issued Shares and around 0.92% of the total number of issued Shares held by public) during the Post-announcement Period, being from 1 August 2025 (the date of the first trading day immediately after the publication of the Announcement) to the Latest Practicable Date. The increased average daily trading volume of the Shares was still relatively thin. Scheme Shareholders should note that the improvement in liquidity of the Shares subsequent to the publication of the Announcement may not be sustainable if the Scheme do not take place.



Given the historical thin trading volume of the Shares, it is uncertain whether there would be sufficient liquidity in Shares for the Scheme Shareholders to dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, represents an opportunity for the Scheme Shareholders, particularly for those who hold a large volume of Scheme Shares, to dispose of their entire holdings at the Cancellation Price if they so wish.

Based on the above and the reasons for and benefits of the Proposal as set out in the section headed “3. Reasons for and benefits of the Proposal” above, we concur that the Proposal gives Scheme Shareholders an opportunity to receive the Cancellation Price for their Scheme Shares at a premium over the current market price.

6. Historical discount of market price of the Shares to the net asset value per Share and Convertible Preference Share

We note that the Cancellation Price of HK\$0.62 per Scheme Share represents a discount of approximately 70.20%, 70.85% and 71.82% to the audited net asset value per Share and Convertible Preference Share of approximately HK\$2.081 as at 31 December 2024, the unaudited net asset value per Share and Convertible Preference Share of approximately HK\$2.127 as at 30 June 2025 and the Adjusted NAV per Share and Convertible Preference Share of approximately HK\$2.20, respectively. We have compared the discount of average closing Share price to consolidated net asset value of the Group attributable to owners of equity per Share and Convertible Preference Share during the Review Period as set out in the table below.

Period	Published consolidated net asset value per Share and Convertible Preference Share (HK\$) (Note 1)	Closing price per Share			Discount to net asset value per Share and Convertible Preference Share		
		Highest	Lowest	Average	Highest	Lowest	Average
		HK\$	HK\$	HK\$	Approx. %	Approx. %	Approx. %
4 September 2023 to 28 March 2024	2.149	0.267	0.195	0.230	87.57%	90.93%	89.31%
2 April 2024 ⁽¹⁾ to 29 August 2024	2.108	0.257	0.191	0.217	87.81%	90.94%	89.70%
30 August 2024 ⁽²⁾ to 27 March 2025	2.124	0.295	0.183	0.217	86.11%	91.38%	89.80%
28 March 2025 ⁽³⁾ to 17 July 2025 (i.e. the Last Trading Day)	2.081	0.380	0.196	0.234	81.74%	90.58%	88.75%
1 August 2025 ⁽³⁾ to 28 August 2025	2.081	0.570	0.520	0.546	72.61%	75.01%	73.78%
29 August 2025 ⁽³⁾ to Latest Practicable Date	2.094	0.590	0.540	0.569	71.83%	74.22%	72.85%
					Simple average		84.03%



Notes:

1. The published consolidated net asset value per Share and Convertible Preference Share is calculated based on the published consolidated net asset value of the Group attributable to owners of the equity in the then latest annual or interim results announcement of the Company and divided by the average number of Shares and Convertible Preferences Shares in issue during the respective period.
2. The first trading day immediately after the Company released its full year or interim results announcements.
3. The first trading day immediately after the Company released the Announcement.

Based on the analysis set out above, we note that, since 4 September 2023, being approximately 24 months immediately prior to and up to the Latest Practicable Date, the average closing price of Shares for each of the respective periods indicated above have represented a discount (the “**Average Discount(s)**”) to the then net asset value per Share and Convertible Preference Share. As shown above, the Average Discounts ranged from approximately 72.85% to approximately 89.80%, with an average of approximately 84.03%. The Shares have been consistently traded at deep discounts to the net asset value per Share and Convertible Preference Share during the Review Period. The discount represented by the Cancellation Price of approximately 70.20%, 70.85% and 71.82% to the audited net asset value per Share and Convertible Preference Share of approximately HK\$2.081 as at 31 December 2024, the unaudited net asset value per Share and Convertible Preference Share of approximately HK\$2.127 as at 30 June 2025 and the Adjusted NAV per Share and Convertible Preference Share of approximately HK\$2.20, respectively, are lower than the Average Discounts of the historical market price of the Shares to the net asset value per Share and Convertible Preference Share during the entire Review Period.

Property Valuation and Adjusted NAV

In evaluating the Proposal, we have also reviewed the adjusted net asset value based on the 2025 Interim Report and the adjustment, comprising the revaluation surplus arising from property revaluation (the “**Property Valuation**”), the relevant estimated deferred tax.

(i) Background of the Property Valuation

The Group is principally engaged in development, operation, sales, leasing and management of mixed-use complexes and commercial properties in the PRC. The Property Valuer was engaged by the Company to derive at an appraised value of the property interests of the Group (the “**Properties**”) as at 31 July 2025 (the “**Property Valuation Date**”). The valuation of the Properties as appraised by Property Valuer as at the Property Valuation Date was approximately RMB74,775 million. Details of the Property Valuation are set out in the Property Valuation Report enclosed in appendix III to the Scheme Document. The Property Valuation has been prepared in accordance with the HKIS and in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, and Rule 11 of the Takeovers Code.



(ii) Scope of work and qualifications of the Property Valuer

We have reviewed the engagement letter between the Company and the Property Valuer, the Property Valuation Report and the relevant valuation workings of the Property Valuer and interviewed the relevant staff of the Property Valuer with particular attention to (i) the Property Valuer's terms of engagement with the Company; (ii) the Property Valuer's qualification and experience in relation to the preparation of the Property Valuation; and (iii) the steps and due diligence measures taken by the Property Valuer in performing the Property Valuation.

From our review of the engagement letter between the Company and the Property Valuer, we are satisfied that the terms of engagement between the Company and the Property Valuer are appropriate to the opinion the Property Valuer is required to give. The Property Valuer has confirmed that it is independent from the Company or any party acting, or presumed to be acting, in concert with any of them. We further understand that the Property Valuer is certified with the relevant professional qualifications required to perform the Property Valuation and the person-in-charge of the Property Valuation has over 30 years' experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. We note that the Property Valuer mainly carried out its due diligence through on-site inspections, making enquiries and conducting its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the management of the Company.

(iii) Property Valuation methodologies

We have reviewed the Property Valuation Reports and discussed with the Property Valuer methodologies of, and bases and assumptions adopted for the valuations and adjustments made to arrive at the valuation of each type of property interests.

Income capitalisation method

We note that the Property Valuer has adopted the income capitalisation method in valuing (i) properties in Group I, Group III(A) and Group VII, which are completed properties in the PRC and Hong Kong held by the Group for owner-occupation and investment purpose; and (ii) Group VI, which represents the Group's right-of-use assets in the PRC. Income capitalisation method is on the basis of capitalisation of rental incomes derived from the existing tenancies with due allowance for reversionary potential of each of the properties. For the rights-of-use assets, the rental incomes are derived from the existing tenancies within the lease period. We understand from the Property Valuer that the market comparison method is not selected as most of these properties generate rental income from letting arrangements and such rental comparables are more readily available. The Property Valuer considers and we would agree that the income capitalisation method, which is also commonly used in valuing properties for investment purpose, to be the best method to value these properties. When applying the income capitalisation method, the Property Valuer mainly made reference to sales or lettings within the subject properties as well as other



relevant comparable sales or rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standard, size, time, configuration and other relevant factors. We understand these consideration factors are commonly used in the industry and would consider it reasonable.

As disclosed in the Valuation Report, the capitalisation rates adopted for the purpose of the Property Valuation using the income capitalisation method are based on the Property Valuer's analyses of the yields of properties of similar use type after due adjustments. We have discussed and understand such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. We are given to understand that the capitalisation rates adopted are in line with the market norm having regard to the analysed yields of transactions of the relevant use type and consider it appropriate.

Market comparison method

We note that the Valuer has adopted the market comparison method in valuing Properties in Group III(B) and Group V(A), which are properties held for future development for investment in the PRC and properties under development for sale in the PRC respectively, assuming all consents, approvals and licences from relevant government authorities for these Properties have been obtained without onerous conditions or delays. We have discussed and understand that the Property Valuer has adopted the market comparison method to assess the development value of the Properties in these group as if completed and have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development. In adopting the market comparison method, the Property Valuer has made reference to comparable sales transactions as available in the relevant market taking into account preliminary incurred construction costs for Properties under development.

Properties in Group IV are completed properties for sale in the PRC, the Property Valuer has adopted the market comparison method in valuing these Properties assuming sale of each of these properties in its existing state. In adopting the market comparison method, the Property Valuer has made reference to comparable sales transactions as available in the relevant market taking into account appropriate adjustments between the subject properties and the comparable properties.

We understand that the use of market comparison method to the above Properties is considered to be in line with market practice and is appropriate in this case mainly because there are publicly available and comparable sales transactions and information and consider appropriate.



Discounted cash flow ("DCF") method

For Properties in Group II, which represents completed properties in the PRC held for operation, the Property Valuer has adopted the DCF method in its valuation. DCF method involves discounting future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at an appropriate terminal capitalisation rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. The discount rate adopted in DCF method reflects the rate of return required by a third party investor for an investment of similar use type. As the Properties in Group II are held for operation and the DCF method reflects its value for an investment of similar use type, we consider the DCF method appropriate.

We have discussed with the Property Valuer and noted that the 10-year cash flow forecast for such Properties was prepared with reference to the current and anticipated market conditions. The discount rate adopted by the Property Valuer was determined taking into consideration for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties. The terminal capitalisation rate for assessing the terminal value was determined by the Property Valuer with reference to (i) the analyses of the Property Valuer of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rate that the Property Valuer has previously adopted, its forecasted change in revenue over the 10-year forecast period, and the duration of the remaining land use term of the property. The Property Valuer has confirmed that the discount rate and terminal capitalisation rate adopted is in line with the market norm.

No commercial value

As set out in the Valuation Reports, the Property Valuer has attributed no commercial value for civil defense car parking spaces in the PRC because these spaces are subject to the use by the public at no cost during war times and the Group does not have unfettered rights in such portions of properties. Hence, market value is not applicable. We understand from the Property Valuer that such practice is in line with market norm and is appropriate for Properties in which the Group has no title ownership. As such, we would consider such application to be prudent and reasonable.

Conclusion

After taken into account the above, we consider that the valuation methodologies, together with the basis and assumptions, of the Property Valuation adopted by the Property Valuer for each type of Properties as discussed above are appropriate and in line with the market practices.



(iv) The Adjusted NAV

As set out in section headed “1.2 Financial information of the Group – (iii) The Adjusted NAV” above, the Adjusted NAV per Share and Convertible Preference Share amounted to RMB2.01 (equivalent to approximately HK\$2.20). The Cancellation Price of HK\$0.62 represents a discount of approximately 71.82% to the Adjusted NAV per Share and Convertible Preference Share. As compared to the discount of 70.20% to the audited consolidated net asset value attributable to shareholders of the Company per Share and Convertible Preference Shares of approximately HK\$2.081 as at 31 December 2024 and the discount of 70.85% to the unaudited consolidated net asset value attributable to shareholders of the Company per Share and Convertible Preference Shares of approximately HK\$2.127 as at 30 June 2025, the difference is not significant. As such, we consider the revaluation of the properties of the Group and the associated companies in which the Company has a direct or indirect interest of 30% or more of the voting rights except those exempted from valuation by the Executive has no material impact to our assessment.

7. Comparable companies

As discussed under the section “1.2. Background information of the Group” above, the Group is principally engaged in development, operation, sales, leasing and management of mixed-use complexes and commercial properties in the PRC. We have conducted research on companies listed on the Main Board of the Stock Exchange which (i) are principally engaged in property development in the PRC, with at least 70% of revenue contributed from such segment for their latest financial year; and (ii) have a net assets value attributable to owners of equity (excluding perpetual instruments, if any) of approximately RMB15 billion to RMB70 billion. Based on the aforesaid criteria, we have identified 15 companies, which is an exhaustive list according to our research on the website of the Stock Exchange and Bloomberg.

In assessing the fairness and reasonableness of the Cancellation Price, 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 implied P/B Ratio from the Cancellation Price with those of listed entities on the Stock Exchange engaged in similar business activities and possess comparable size (the “**Comparable Companies**”). We have not applied another commonly employed parameter, being the price-to-earnings ratio as the Company has recorded loss attributable to owners of the Company for the latest financial year.



The following table sets forth details of the Comparable Companies:

Stock code	Company name	Market capitalisation <i>HK\$'million</i> (Note 2)	P/B ratio <i>Times</i> (Note 3)
1908	C&D International Investment Group Limited	34,417.3	1.25 (Note 4)
3900	Greentown China Holdings Ltd	25,065.8	0.64
817	China Jinmao Holdings Group Ltd	19,313.5	0.47
123	Yuexiu Property Co Ltd	18,597.3	0.31
1918	Sunac China Holdings Ltd	17,893.0	0.41
1030	Seazen Group Ltd	17,664.4	0.35
604	Shenzhen Investment Ltd	8,008.9	0.23
81	China Overseas Grand Oceans Group Ltd	6,905.2	0.20
173	K Wah Intl Holdings Ltd	6,841.4	0.08
119	Poly Property Group Co Ltd	5,922.8	0.11
3380	Logan Group Co Ltd	5,344.3	0.28
535	Gemdale Properties And Investment Corp Ltd	4,734.9	0.25
95	Lygem (China) Real Estate Investment Co Ltd	2,423.1	0.12
1238	Powerlong Real Estate Holdings Ltd	1,490.5	0.04
846	Mingfa Group International Co Ltd	968.9	0.06
		<i>Minimum</i>	<i>0.04</i>
		<i>Maximum</i>	<i>1.25</i>
		<i>Average</i>	<i>0.32</i>
		<i>Median</i>	<i>0.25</i>
		<i>Excluding the outlier: (Note 4)</i>	
		<i>Minimum</i>	<i>0.04</i>
		<i>Maximum</i>	<i>0.64</i>
		<i>Average</i>	<i>0.25</i>
		<i>Median</i>	<i>0.24</i>
207	The Company (Note 1)	9,502.4	0.29

Source: Website of the Stock Exchange and the respective published financial reports of the Comparable Companies.

Notes:

- (1) The market capitalisation and the P/B Ratio of the Company were calculated based on the implied market capitalisation (based on the total number of Shares and Convertible Preference Shares as at the date of the Announcement) as represented by the Cancellation Price and the Adjusted NAV.
- (2) The market capitalisation of the Comparable Companies were calculated with their respective share price and shares (including ordinary shares, A shares and preferred shares, if any) in issue as at the date of the Announcement.



- (3) The P/B Ratios of the Comparable Companies are calculated based on the market capitalisation of the respective companies divided by the net assets value attributable to owners of equity (excluding perpetual instruments, if any), of the Comparable Companies as referenced from their most recently published financial results as at the date of the Announcement.
- (4) Based on the mean and standard deviation outlier detection method, the P/B Ratio of C&D International Investment Group Limited (1908.HK) was considered as an outlier as it is more than two standard deviations away from the average P/B Ratios of all the Comparable Companies.

As shown from the table above, the P/B Ratio of the Company implied by the Cancellation Price of approximately 0.29 times is within the range of that of the Comparable Companies of approximately 0.04 times to 1.25 times. Excluding C&D International Investment Group Limited, which has a P/B Ratio of 1.25 times and was considered as an outlier, the average P/B Ratio of the Comparable Companies is 0.25 times. The implied P/B Ratio of the Company is higher than both the average (excluding outlier) and the median of that of the Comparable Companies of approximately 0.25 times.

In respect of a comparison to the Comparable Companies, the implied P/B Ratio of the Cancellation Price, being the most relevant parameter given the principal activities of the Group, of 0.29 times is higher than both the average (excluding outlier) and the median of the P/B Ratio of the Comparable Companies., indicating the Cancellation Price is a fair and reasonable exit for the Disinterested Shareholders from the perspective of investing in the industry that the Group engages in. It also gives Shareholders an opportunity to receive the Cancellation Price for their Shares at a premium over the current market price of the Company and at a valuation in line with the market. Based on the above analysis, we consider the Cancellation Price is fair and reasonable as compared to the Comparable Companies.

8. Privatisation precedents

We have compared the Proposal to privatisation proposals of companies listed on the Main Board of the Stock Exchange initially announced since 1 July 2023 and up to the date of the Announcement, which have been approved by disinterested shareholders or the required acceptance level was achieved, and involve a cash consideration (excluding combined consideration of cash and shares) (the “**Privatisation Precedents**”). Based on these criteria, we have identified 28 Privatisation Precedents, which are exhaustive and a fair representation of transactions comparable to the Proposal. Given that the review period covers a period of around two years immediately prior to the date of the Announcement, and the sufficient number of Privatisation Precedents identified, we consider such review period to be sufficient, fair and representative as it provides us with a meaningful overview of the pricing of recent privatisation proposals for companies listed on the Stock Exchange.

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



Date of initial announcement (Note 2)	Company name (stock code)	Principal business	Premium or (discount) represented by offer/cancellation price over/its closing share price/average share price on offer (Note 1)					Premium or (discount) represented by offer/cancellation price over/its latest net asset value/adjusted net asset value per share (Note 5)	
			Last full trading day (Note 3)	S-trading day (Note 4)	10-trading day (Note 4)	30-trading day (Note 4)	60-trading day (Note 4)	90-trading day (Note 4)	180-trading day (Note 4)
11 April 2025	Shandong Fengqing Co., Ltd. (9977)	White-feathered broiler meat exporter and retail enterprise of chicken meat food in PRC	33.3%	34.8%	35.5%	39.9%	44.9%	62.6%	71.3%
17 February 2025	Tam Jai International Co. Limited (2217)	Catering business	75.6%	80.4%	88.3%	96.3%	99.5%	98.2%	75.8%
27 December 2024	Yesinc Co., Ltd (2148)	Design, development and sales of small home appliances	33.3%	34.4%	37.3%	44.4%	36.1%	36.4%	24.3%
19 December 2024	Pentamaster International Limited (1665)	Designing, development and manufacturing of standard and non-standard automated test equipment, designing, development and installation of integrated factory automation solutions, and manufacturing and assembling of medical machines and manufacturing of die casting parts	25.0%	49.3%	53.6%	52.7%	50.2%	51.0%	43.5%
10 December 2024	Forum Tourism Group (1952)	Leisure-focused integrated tourism groups	95.0%	112.1%	112.7%	111.2%	110.3%	112.5%	187.0%
22 November 2024	Roseline Service Holding Co., Ltd (2207)	Property management services provider in the PRC	15.4%	9.1%	1.7%	(6.3)%	1.7%	(6.5)%	(13.0)%
28 October 2024	Beijing Capital Grand Limited (1329)	Investment property development and operation, property development and sale of merchandise inventories	46.6%	54.6%	55.1%	41.8%	47.9%	65.4%	57.3%
14 October 2024	CM Bi-Tech Classroom Limited (2115)	Provision of classroom wall and ceiling systems and classroom equipment in the PRC, Malaysia and Philippines	25.0%	23.8%	26.9%	30.2%	35.7%	41.2%	38.1%



Date of initial announcement (Note 2)	Company name (stock code)	Principal business	Premium or (discount) represented by offer/cancellation price over/under closing share price/average share price as at/over (Note 1)						Premium or (discount) represented by offer/cancellation price over/under latest net asset value/adjusted net asset value per share (Note 5)
			Last full trading day (Note 3)	5-trading day (Note 4)	10-trading day (Note 4)	30-trading day (Note 4)	60-trading day (Note 4)	90-trading day (Note 4)	180-trading day (Note 4)
2 September 2024	Doyen International Holdings Limited (668)	Investment property holding in the PRC, provision of financing, investment holding, sales of flowers and plants and distressed assets management	78.6%	81.4%	82.3%	81.4%	86.2%	112.9%	92.3%
22 July 2024	Carvest Environmental Protection Group Company Limited (1381)	Operating and managing the waste-to-energy plants, provision of environmental hygiene and related services and integrated smart city management services across several regions in the PRC	11.6%	12.6%	13.0%	16.9%	19.8%	21.0%	23.1%
16 July 2024	Samson Holding Ltd. (511)	Manufacturing and sale of furniture, trading of furniture and procurement services	77.8%	86.8%	105.4%	150.1%	186.7%	184.5%	150.6%
12 June 2024	A8 New Media Group Limited (800)	Cultural business and property investment in the PRC	162.8%	159.0%	168.7%	185.7%	185.7%	174.8%	126.4%
7 June 2024	CPAC Holdings Limited (906)	Manufacturing and sales of packaging products for consumer goods such as food, beverages and household chemical products in the PRC	4.9%	5.6%	5.8%	6.8%	5.7%	5.4%	9.5%
27 May 2024	Huafa Property Services Group Company Limited (982)	Property management services, hotel advisory and exhibition services in the PRC	30.6%	36.8%	40.1%	70.6%	82.4%	88.3%	104.2%
13 May 2024	ESSR Group Limited (1821)	Real asset manager and real estate investment managers	55.7%	58.2%	58.1%	54.0%	40.8%	35.0%	26.0%
29 April 2024	L'Occitane International S.A. (973)	Manufactures and retails beauty and well-being products	30.8%	36.1%	40.6%	49.9%	60.8%	60.5%	53.8%



Date of initial announcement (Note 2)	Company name (stock code)	Principal business	Premium or (discount) represented by offer/cancellation price over/its closing share price/average share price in/over (Note 1)					Premium or (discount) represented by offer/cancellation price over/its latest net asset value/adjusted net asset value per share (Note 5)	
			Last full trading day (Note 3)	5-trading day (Note 4)	10-trading day (Note 4)	30-trading day (Note 4)	60-trading day (Note 4)	90-trading day (Note 4)	180-trading day (Note 4)
18 April 2024	Kin Yat Holdings Limited (6138)	Development and production of electrical and electronic products and real estate development in the PRC	33.3%	43.4%	47.3%	51.2%	53.6%	55.5%	72.1%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	Developing and commercialising its portfolio with potential in its focused therapeutic areas including oncology and severe infection	33.9%	36.0%	36.2%	47.5%	47.5%	48.7%	67.1%
9 February 2024	InsidivCentrics Global Holdings Ltd (6819)	Operating SaaS and non-SaaS credentialing and payer enrollment platforms	20.5%	20.4%	19.3%	13.6%	11.4%	10.7%	(4.4)%
26 January 2024	Bank of Anhui Co., Ltd. (416)	Banking business	0.0%	(0.6)%	(1.0)%	8.3%	15.4%	34.8%	36.5%
14 December 2023	Sinocast Technology Group Limited (1257)	Engaging in businesses covering government big data software and related services and low carbon and ecology software and related services	26.4%	30.4%	31.2%	31.1%	22.5%	15.0%	14.2%
4 December 2023	Weiqiao Textile Company Limited (2698)	Production, sales and distribution of cotton yarn, grey fabric and denim and the electricity and steam business	104.7%	104.9%	102.7%	111.1%	142.9%	147.5%	144.9%
28 November 2023	CDAC Vehicles (Group) Co., Ltd. (1835)	Manufacturing of semi-trailers and specialty vehicles	16.5%	17.9%	21.0%	25.4%	19.1%	15.9%	12.6%
20 November 2023	Vinda International Holdings Limited (5331)	Manufacturing and sale of home and personal care products	20.1%	19.7%	21.4%	21.3%	25.7%	26.2%	22.0%
6 October 2023	Huifeng International Securities Group Limited (665)	Financial services platform	114.1%	111.1%	108.2%	126.5%	122.2%	124.5%	110.5%



Date of initial announcement (Note 2)	Company name (stock code)	Principal business	Premium or (discount) represented by offer/cancellation price over/last trading day price/average share price on/over (Note 1)					Premium or (discount) represented by offer/cancellation price over/last trading day price/average share price		Premium or (discount) represented by offer/cancellation price over/last trading day price/average share price
			Last full trading day (Note 3)	5-trading day (Note 4)	10-trading day (Note 4)	30-trading day (Note 4)	60-trading day (Note 4)	90-trading day (Note 4)	180-trading day (Note 4)	
6 October 2023	Pine Care Group Limited (11989)	Residential care homes for the elderly	(1.1)%	0.7%	0.5%	1.5%	8.9%	22.9%	43.8%	(7.9)%
15 September 2023	Lausen Pharmaceutical Holdings Limited (503)	Production and sale of specialty pharmaceutical products mainly used in the field of rheumatology and dermatology and other pharmaceuticals	26.8%	24.1%	22.5%	20.0%	15.4%	20.8%	23.5%	22.1%
1 September 2023	CST Group Limited (985)	Mining	61.3%	24.4%	21.4%	36.6%	(1.4)%	(14.9)%	(33.8)%	(60.7)%
	Highest		162.8%	159.0%	168.7%	185.7%	186.7%	184.5%	150.6%	970.1%
	Lowest		(1.1)%	(0.6)%	(1.0)%	(8.3)%	(1.4)%	(14.9)%	(33.8)%	(78.9)%
	Average		45.1%	46.7%	48.4%	54.0%	56.5%	59.1%	53.5%	57.4%
	Median		32.1%	35.4%	36.8%	43.1%	42.9%	45.8%	43.7%	(7.9)%
										Excluding the outliers: (Note 6)
										Highest
										Lowest
										Average
										Median
	The Company		67.4%	68.9%	90.5%	129.7%	158.6%	166.1%	278.0%	(71.82)% (Note 7)

Source: Bloomberg and the website of the Hong Kong Stock Exchange

Notes:

- The figures are quoted from the respective offer/scheme document or if such data is not available, calculated based on the offer/cancellation price divided by the closing price per share on the last full trading day or average closing price per share during various periods.
- The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier (as applicable).
- The last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the release of the initial announcement.
- Up to and including the last full trading day.
- It represents the premium or (discount) represented by the offer/cancellation price over the net asset value per share (or adjusted net asset value per share, if available) quoted from the respective offer/scheme document.
- Based on the mean and standard deviation outlier detection method, the offer/cancellation price over the net asset value per share of Huaafa Property Services Group Company Limited and L'Occitane International S.A. were considered as outliers as it is more than two standard deviations away from the average offer/cancellation price over the net asset value per share of all the Privatisation Precedents.
- It represents the discount of the Cancellation Price to the Adjusted NAV per Share and Convertible Preference Share of approximately HK\$2.20.
- Subject to rounding difference.



8.1 Comparison with market price

The terms of the Privatisation Precedents set out above, in our view, serves to illustrate levels of premium over market prices needed in Hong Kong to secure a successful privatization, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. An analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Although the method of privatisation, the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis sets out and provides us with a meaningful analysis on the pricing of recent successful privatisations of Main Board listed companies in Hong Kong under recent market sentiment, as well as a meaningful benchmark for the Scheme Shareholders when evaluating the premium provided in the Proposal. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for the acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Cancellation Price.

Based on the table above, the premiums represented by the Cancellation Price of HK\$0.62 per Scheme Share over the closing Share prices on the Last Trading Date and for the last 5, 10, 30, 60, 90 and 180 trading days are all above the average and median of the Privatisation Precedents. It is worth mentioning that all of the Privatisation Precedents were successfully completed, indicating that the terms of the privatisation proposals in the Privatisation Precedents were accepted by the market and accordingly, whilst the premiums represented by the Cancellation Price are higher than the average and median of those of the Privatisation Precedents, the terms of the Proposal are therefore considered in line with the market.

8.2 Comparison with net assets value

The premiums or discounts represented by the offer/cancellation price of the Privatisation Precedents over/to their respective net asset value per share range from discount of 78.9% to premium of 970.1%. Excluding the outliers which are more than two standard deviations away from the mean, it ranged from discount of 78.9% to premium of 228.4%, with an average discount of 0.6% and a median discount of 15.3%. The Cancellation Price representing a discount to the Adjusted NAV per Share and Convertible Preference Share of 71.82% is a deeper discount than the average (excluding outlier) and median discount of but falls within the range of those of the Privatisation Precedents. Out of the 28 Privatisation Precedents, 17 cases had offer/cancellation prices represent discounts to their respective net asset value per share. Thus, offer/cancellation prices pitched at discounts to net asset value per share are not uncommon in privatisation transactions.



Nevertheless, the companies involved in the Privatisation Precedents may have different principal activities, and may vary between asset-heavy and asset-light models resulting in different trading discount/premium to their respective net asset value. As such, the analysis in this section should not be considered on an isolated basis but should be taken into account in totality with other factors when considering the fairness of the Proposal. We noted that three of the Privatisation Precedents are principally engaged in property development or property management business, namely Ronshine Service Holding Co., Ltd, Beijing Capital Grand Limited and Huafa Property Services Group Company Limited. Other than Huafa Property Services Group Company Limited, which has an exceptionally high premium of cancellation price to net asset value of approximately 970.1% and is considered as an outlier, the cancellation price of Ronshine Service Holding Co., Ltd and Beijing Capital Grand Limited both represents a relatively deeper discount to net asset value of approximately 53.5% and 53.8% respectively as compared to the Privatisation Precedents, indicating that it is not uncommon for privatisation of property related companies to involve a cancellation price with a relatively large discount to net asset value.

Although the discount to the Adjusted NAV as represented by the Cancellation Price is deeper than for Ronshine Service Holding Co., Ltd and Beijing Capital Grand Limited, taking into account our analysis on (i) the implied P/B Ratio of the Cancellation Price is higher than both the average (excluding outlier) and the median of the P/B Ratios of the Comparable Companies as set out in the section headed "7. Comparable companies" above; and (ii) the discount of the Cancellation Price to the Adjusted NAV is lower than the Average Discounts of the historical market price of the Shares to the net asset value per Share and Convertible Preference Share during the entire Review Period as set out in the section headed "6. Historical discount of market price of the Shares to the net asset value per Share and Convertible Preference Share" above, we consider the discount to the Adjusted NAV as represented by the Cancellation Price fair and reasonable.

In general, the comparison of the discount to net asset value itself is of limited value to the Scheme Shareholders as the subject companies are in different industries and running different type of businesses, the Privatisation Precedents could only provide reference to the Scheme Shareholders as to the general market appetite, being the premium of the cancellation price of the subject companies of the Privatisation Precedents to their recent market price.

8.3 Conclusion

Taking into account the above, as well as other factors including our analysis on (i) the historical Share price performance as set out in the section headed "5.1 Historical price performance of the Shares"; (ii) the historical market price to net asset value of the Company as set out in the section headed "6. Historical discount of market price of the Shares to the net asset value per Share and Convertible Preference Share"; and (iii) the implied P/B Ratio of the Cancellation Price as compared to the Comparable Companies as set out in the section headed "7. Comparable companies", we consider the Cancellation Price fair and reasonable so far as the Scheme Shareholders are concerned.



DISCUSSION OF PRINCIPAL REASONS AND FACTORS

We have formed our opinion on the terms of the Proposal, including the Cancellation Price, after taking into account all the above principal factors and reasons and in summary particularly:

- (1) the future business development and prospects of the Group are still subject to uncertainties associated with macroeconomic environment and factors surrounding, including but not limited to (i) the persistent downturn in the property development market, with inventory pressures and reduced developer activity; and (ii) the economic outlook in the PRC amid various ongoing regional geopolitical and trade conflicts, affecting the overall business and commercial sentiment, as discussed in the section headed “2. Outlook of the property development industry in the PRC” above;
- (2) the Cancellation Price of HK\$0.62 per Scheme Share represents premiums over recently prevailing market prices ranging approximately 67.57% to 172.25% and is substantially higher than the average Share closing price for the Pre-announcement Period of approximately HK\$0.224 per Share, as discussed in the section headed “5.1 Historical price performance of the Shares” above;
- (3) the historical trading volume of the Shares has been thin, as discussed in the section headed “5.2 Trading liquidity of the Shares” above, it is unlikely that Scheme Shareholders could dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, represents a valuable opportunity for Scheme Shareholders, particularly those with a large holding of Scheme Shares, to dispose of their holdings at the fixed cash amount of HK\$0.62 per Share;
- (4) the discount represented by the Cancellation Price of HK\$0.62 per Scheme Share represents a discount of approximately 70.20%, 70.85% and 71.82% to the audited net asset value per Share and Convertible Preference Share of approximately HK\$2.081 as at 31 December 2024, the unaudited net asset value per Share and Convertible Preference Share of approximately HK\$2.127 as at 30 June 2025 and the Adjusted NAV per Share and Convertible Preference Share of approximately HK\$2.20, respectively, are lower than the Average Discounts of market price of the Shares to the net asset value per Share and Convertible Preference Share during the entire Review Period, as set out in the section headed “6. Historical discount of market price of the Share to the net asset value per Share and Convertible Preference Share” above;
- (5) the P/B Ratio implied by the Cancellation Price is higher than the average (excluding outlier) and median of the P/B Ratios of the Comparable Companies as discussed in the section headed “7. Comparable Companies” above; and
- (6) the premiums represented by the Cancellation Price of HK\$0.62 per Scheme Share over the closing Share prices on the Last Trading Date and for the last 5, 10, 30, 60, 90 and 180 trading days are all above the average and median of the Privatisation Precedents, as discussed in the section headed “8. Privatisation Precedents” above.

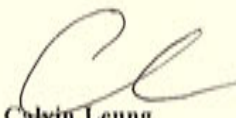


OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal, including the Cancellation Price and the Controlling Shareholders Rollover Arrangement, are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, we advise the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting to approve the Proposal.

The Shares have been trading in the market below the Cancellation Price and they closed at HK\$0.560 on the Latest Practicable Date. However, although we consider it unlikely, there is a possibility that the Share price may exceed the Cancellation Price in the period since the Latest Practicable Date and up to 27 November 2025, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, Scheme Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, if the proceeds obtained from such disposal of Shares (after deducting all transaction costs) would be higher than HK\$0.62 per Share.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED


Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the corporate finance industry.