The main purpose of such valuation is to use them as a basis for arriving at the Adjusted NAV shown below, which is one of the main factors against which the Cancellation Price is assessed. For this purpose, we have discussed the property valuation with the Property Valuer, including specifics on bases and assumptions used, which included comparable transactions in the vicinity, and the Property Valuer's due diligence work. We have also 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. 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. We understand that the Property Valuer is certified with the relevant professional qualifications required to perform the Property Valuation and the signatory of the Property Valuation Report has over 30 years' experience in valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. We note that the Property Valuer performed on-site inspections, making enquiries and conducting its own research in arriving at the valuation of the Group's property interests.

Adjusted NAV

We have reviewed the Adjusted NAV of the Group as set out in the section headed "5. Property Interests and adjusted net asset value" in Appendix I to the Scheme Document, based on the unaudited consolidated financial statements of the Group as at 30 June 2025 and the adjustments as set out in the table below, which include the revaluation deficit arising from the property valuation as at 30 November 2025:

	HK$'000
Unaudited net asset value attributable to equity holders of the Company as at 30 June 2025	1,074,320
Adjustments:	
– Fair value adjustments on investment properties during the period from 1 July 2025 to 30 November 2025 (Note 1)	(69,807)
Adjusted NAV	1,004,513
Adjusted NAV per Share *(Note 2)*	HK$0.556
Cancellation Price per Scheme Share	HK$0.133
– Discount to Adjusted NAV	76.08%

Notes:

(1) The fair value adjustments are calculated based on (a) the difference between (i) the total market value of the property interests of the Group as at 30 November 2025 of HK$835,600,000 and (ii) the unaudited book value of the property interests of the Group as at 30 June 2025 of HK$905,700,000, and (b) an adjustment of approximately HK$293,000 relating to non-controlling interest in certain investment properties of the Group

(2) Based on 1,805,282,608 Shares in issue as at 30 June 2025

The Cancellation Price of HK$0.133 per Scheme Share represents a discount of approximately 76.08% to the Adjusted NAV per Share, as compared to the discount of approximately 77.65% to the unaudited net asset value HK$0.595 per Share as at 30 June 2025. The lower discount to the Adjusted NAV per Share was due to the further deterioration in valuation of the Group's investment properties during the second half of 2025 as discussed above, leading to the further reduction in the Group's Adjusted NAV and the resulting Adjusted NAV per Share.

(f) ***Peer comparison***

The Group is principally engaged in the businesses of property agency services, property investment and the provision of credit, with property agency services making the largest contribution to the Group's revenues. Although these businesses are largely related to the non-residential property market in Hong Kong and are integrated to a certain extent (for example, the Group's customers of the credit business are often also customers of the property agency business), these businesses reflect differently in the Group's financial statements. For example, the property agency business generates over 80% of the Group's revenues during the Review Period and employs a significant number of staff, but is relatively asset-light. On the other hand, the property investment and credit businesses are asset-heavy, with the Group's investment properties and loan receivables in aggregate representing over 70% of the Group's total assets as at 30 June 2025, but generate only a small portion of revenues when compared to the property agency business. The fact that the Group engages in these different businesses with different business models, and that any industry peers identified may not engage in the above businesses in proportion similar to that of the Group, made it difficult to compare valuation multiples of the Group against its peers.

We have conducted research on companies listed on the Main Board of the Stock Exchange which are principally engaged in property agency business in Hong Kong, with at least 50% of revenue contributed from such segment in their latest financial year. Based on the aforesaid criteria, we have only identified Midland, which is also engaged in property agency business in Hong Kong but instead focuses on residential properties, unlike the Group's principal business in the non-residential property market. P/B ratio and P/E ratio, the two commonly used valuation benchmarks, were analysed. In terms of earnings, Midland has P/E ratios as at the Latest Practicable Date of approximately 5.14 times based on its Adjusted Profit (i.e. excluding fair value loss on investment properties, before taking into account any impact on tax or non-controlling interest) in 2024, or approximately 5.54 times based on its Adjusted Profit for the TTM ended 30 June 2025. These P/E ratios are lower than that of the Group as represented by the Cancellation Price of approximately 8.62 times and 8.33 times respectively (also based on Adjusted Profits). In terms of net assets, Midland has P/B ratio as at the Latest Practicable Date of approximately 1.46 times, higher than that of the Company as represented by the Cancellation Price of approximately 0.22 times. The different results of the P/E and P/B ratio analyses may be in part due to the different balance sheet compositions of the two companies. While a majority of the Group's total assets represents investment properties which are non-current and capital in nature, a majority of Midland's total assets represents trade and other receivables which are working capital items, and Midland does not hold significant investment property interests.

As mentioned above, a clear majority (i.e. over 50%) of the Group's total assets represents its investment property interests. As an alternative to the above comparison with Midland, we have also conducted research on companies listed on the Main Board of the Stock Exchange which (i) hold investment properties in Hong Kong, representing over 50% of their respective total assets, with over 50% of total revenue generated from investment properties in Hong Kong, based on their latest published full year financial statements, and (ii) have a market capitalisation of between HK$100 million and HK$1 billion as at the Latest Practicable Date, having considered the market capitalisation of the Company as represented by the Cancellation Price. Based on the above selection criteria, ten Property Investment Peers ("**Property Investment Peers**") have been identified according to our research on Bloomberg and the website of the Stock Exchange. In our view, the Property Investment Peers represent an exhaustive list based on the above selection criteria.

Based on their latest published financial statements, all of the Property Investment Peers incurred fair value losses on their investment properties during the latest financial year and/or the trailing-twelve-month period. Similar to the comparison between the Company and Midland, we have excluded the fair value losses on investment properties in analysing the earnings of the Property Investment Peers. Set out below are the analyses of P/E and P/B ratios of the Property Investment Peers against the P/E and P/B ratios as represented by the Cancellation Price. In particular, as a majority of the Group's total assets represents its investment property interests, while the other businesses of the Group are either asset-light (i.e. property agency business) or has relevant assets representing a much smaller portion of the Group's total assets (i.e. loan receivables under the credit business), we place a greater emphasis on the P/B ratio, an asset-based trading multiple, in our analysis below.

Name of the Property Investment Peers (stock code)		Market capitalisation as at the Latest Practicable Date	P/B ratio	Latest full-year P/E ratio	TTM P/E ratio
		(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 4)*
		HK$ million	*times*	*times*	*times*
Tian Teck Land Limited (266.HK)		964	0.25	2.23	3.79
Safety Godown Company, Limited (237.HK)		822	0.23	6.33	5.41
Pokfulam Development Company Limited (225.HK)		652	0.15	13.60	13.60
Pioneer Global Group Limited (224.HK)		635	0.09	N/A	N/A
Tern Properties Company Limited (277.HK)		444	0.17	12.09	11.89
Asiasec Properties Limited (271.HK)		221	0.13	N/A	N/A
Winfair Investment Company Limited (287.HK)		163	0.17	4.77	5.17
Zhongchang International Holdings Group Limited (859.HK)		163	0.22	N/A	N/A
Oriental Explorer Holdings Limited (430.HK)		161	0.11	34.34	25.99
Crocodile Garments Limited (122.HK)		153	0.11	N/A	N/A
All Property Investment Peers	Maximum		0.25	34.34	25.99
	Minimum		0.09	2.23	3.79
	Mean		0.16	12.23	10.98
	Median		0.16	9.21	8.65
Property Investment Peers excluding the outlier (for P/E ratios)	Maximum			13.60	13.60
	Minimum			2.23	3.79
	Mean			7.81	7.97
	Median			6.33	5.41
The Company as represented by the Cancellation Price		**240**	**0.22**	**8.62**	**8.33**

Source: Bloomberg and website of the Stock Exchange

Notes:

(1) *The market capitalisations as at the Latest Practicable Date are based on the product of their respective number of issued shares (excluding treasury shares (if any)) as set out in their respective monthly return for the month ended 31 December 2025 and their respective closing price per share as quoted on the Stock Exchange as at the Latest Practicable Date. In respect of the Company, the implied market capitalisation is based on the 1,805,282,608 Shares in issue as at the Latest Practicable Date and the Cancellation Price of HK$0.133 per Scheme Share*

(2) *The P/B ratios are calculated by dividing their respective market capitalisation by their respective consolidated net asset value attributable to the shareholders as extracted from their respective latest published financial statements*

(3) *The latest full-year P/E ratios are calculated by dividing their respective market capitalisation by their respective consolidated net profit attributable to the shareholders (excluding any fair value gains/losses on investment properties, before taking into account any effect on tax or non-controlling interest) for the latest financial year, as extracted from their respective latest published full-year financial statements*

(4) *The TTM P/E ratios are calculated by dividing their respective market capitalisation by their respective consolidated net profit attributable to the shareholders (excluding any fair value gains/losses on investment properties, before taking into account any effect on tax or non-controlling interest) for the trailing-twelve-months, as extracted from their respective latest published full-year financial statements and half-year financial statements (where available)*

(5) *Subject to rounding differences*

As shown from the table above, the Property Investment Peers showed a wide range of P/E ratios. In particular, Oriental Explorer Holdings Limited has latest full-year and TTM P/E ratios of approximately 34.34 times and 25.99 times respectively, substantially higher than all of the other Property Investment Peers, and is therefore considered an outlier and excluded from our analyses of P/E ratios. Excluding the outlier, the P/E ratio as represented by the Cancellation Price of approximately 8.62 times (based on its Adjusted Profit in 2024) and 8.33 times (based on its Adjusted Profit for the TTM ended 30 June 2025) are within the range of those of the Property Investment Peers of approximately 2.23 times to 13.60 times, and are higher than both the mean and median P/E ratios of the Property Investment Peers ranging from approximately 5.41 times to 7.97 times.

As explained above, we place a greater emphasis on the P/B ratio in our analysis of the Property Investment Peers. The P/B ratio as represented by the Cancellation Price of approximately 0.22 times is also within the range of those of the Property Investment Peers of approximately 0.09 times to 0.25 times, and is higher than both the mean and median P/B ratios of the Property Investment Peers of approximately 0.16 times.

(g) Privatisation precedents

To further assess the fairness and reasonableness of the Cancellation Price, we have compared the Proposal to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced and completed since January 2021 and up to the date immediately prior to the Latest Practicable Date, based on the following criteria: (i) the offeror involved, together with parties acting in concert with it, owned a controlling interest (30% or more) in the offeree; and (ii) the adjusted net asset value, taking into account property valuation report as contained in the relevant scheme document, having been disclosed, and that the value of properties in Hong Kong representing over 50% of their respective total assets based on their latest published financial statements (the "**Privatisation Precedents**"). Based on these criteria, we have identified four Privatisation Precedents, which we consider to be an exhaustive list based on our research on the website of the Stock Exchange.

We consider the pricing terms of the Privatisation Precedents may illustrate levels of premium over market prices expected by the investors in the Hong Kong capital market to secure a successful privatisation. While the structure of privatisation, the industry focus and scale of each company may differ, this analysis provides a benchmark on the pricing of recent successful privatisations of listed companies in Hong Kong and a benchmark for the Scheme Shareholders when evaluating the premium provided in the Proposal. Accordingly, we regard the Privatisation Precedents to be a meaningful assessment of the fairness and reasonableness of the Cancellation Price.

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

Date of the Rule 3.5 announcement	Name of the company (previous stock code)	Premiums/(discounts) of cancellation consideration over/to the closing price/average closing price per share						Discounts of cancellation consideration to the adjusted net asset value per share
		on the last full trading day *(Note 1)*	over the last 5 full trading days *(Note 1)*	over the last 10 full trading days *(Note 1)*	over the last 30 full trading days *(Note 1)*	over the last 60 full trading days *(Note 1)*	over the last 90 full trading days *(Note 1)*	*(Note 2)*
9 May 2025	Thing On Enterprise Limited (2292.HK) *(Note 3)*	30.00%	30.00%	30.00%	30.00%	36.13%	32.20%	(49.28)%
19 June 2024	Asia Standard Hotel Group Limited (292.HK) ("Asia Standard") *(Note 4)*	52.78%	48.65%	41.03%	57.14%	71.88%	71.88%	(98.32)%
6 October 2023	Pine Care Group Limited (1989.HK)	(1.11)%	0.68%	0.91%	1.48%	8.94%	22.42%	(7.87)%
5 August 2022	Lifestyle International Holdings Limited (1212.HK)	62.34%	75.93%	81.88%	70.13%	58.68%	48.10%	(52.83)%
	Maximum	62.34%	75.93%	81.88%	70.13%	71.88%	71.88%	(7.87)%
	Minimum	(1.11)%	0.68%	0.91%	1.48%	8.94%	22.42%	(98.32)%
	Mean	36.00%	38.82%	38.46%	39.69%	43.90%	43.65%	(52.08)%
	Median	41.39%	39.33%	35.52%	43.57%	47.41%	40.15%	(51.06)%
9 December 2025	**The Company as represented by the Cancellation Price**	**77.33%**	**79.25%**	**80.22%**	**75.23%**	**71.28%**	**71.86%**	**(76.08)%**

Source: Bloomberg and website of the Stock Exchange

Notes:

(1) The relevant premiums/(discounts) are calculated based on the respective closing price/average closing price per share up to and including the last full trading day of the shares prior to the publication of the Rule 3.5 announcement

(2) The relevant discounts are calculated based on the cancellation consideration and the adjusted net asset value per share, as disclosed in the respective scheme document

(3) The relevant premiums (discounts) of Thing On Enterprise Limited are calculated based on the cancellation consideration under the cash alternative

(4) The relevant premiums/(discounts) of Asia Standard are calculated based on the total consideration per share of HK$0.11 comprising 0.15 share of Asia Standard International Group Ltd (stock code: 129.HK, "ASI") (based on its closing share price as at the last trading day of HK$0.5 per share) plus cash payment of HK$0.035 per share. For reference only, if the closing share price of ASI as at the latest practicable date of the relevant scheme document of HK$0.38 per share was used, the resulting total consideration per share of HK$0.092 would represent a discount of approximately 98.6% to the adjusted net asset value of Asia Standard per share, as disclosed in the relevant scheme document

(5) The principal businesses of the companies under the Privatisation Precedents, sourced from Bloomberg, are as follows:

Name of company	***Principal business***
Thing On Enterprise Limited	*mainly specialises in investment and leasing of offices, retail and industrials properties*
Asia Standard	*mainly operates hotels and restaurants*
Pine Care Group Limited	*mainly operates care and attention homes for elderly and provides related services*
Lifestyle International Holdings Limited	*mainly operates department store and other retail outlets*

(6) Subject to rounding differences

Based on the table above, the premiums represented by the Cancellation Price of HK$0.133 per Scheme Share over the closing Share prices on the Last Full Trading Day and for the last 5 to 90 trading days, ranged from approximately 71.28% to 80.22%, are well above the average and median of the Privatisation Precedents between approximately 35.52% and 47.41%, and are close to or higher than the maximum premiums of the Privatisation Precedents of approximately 62.34% to 81.88%. All of the Privatisation Precedents were successfully completed, indicating that the terms of the proposals in the Privatisation Precedents were generally accepted by the market.

As shown in the table above, cancellation considerations representing discounts to net asset values are not uncommon in privatisation of companies with significant property interests. The discounts represented by the cancellation consideration of the Privatisation Precedents to their respective adjusted net asset value per share showed a wide range of approximately 7.87% to 98.32%, with a mean and median discount of approximately 52.08% and 51.06% respectively. The Cancellation Price represents a discount to the Adjusted NAV per Share of approximately 76.08%, which is a discount higher than the average and median discounts, but falls within the range of those of the Privatisation Precedents.

Based on the above, while the discount to the Adjusted NAV as represented by the Cancellation Price is higher than three of the four Privatisation Precedents, the Proposal on the other hand offers significant premiums over historical market prices ranging from approximately 71.28% to 80.22%, higher than most of the premiums offered under the Privatisation Precedents. We also note that the Cancellation Price represents a P/B ratio higher than the mean and median P/B ratios of the Property Investment Peers, as analysed in the sub-section above headed "4(f). Peer comparison". In our view, considering the backdrop of the Company's specific circumstances regarding its net losses (mainly resulting from fair value loss on investment properties) and absence of dividend distribution to Shareholders from 2022 to the first half of 2025 and the low trading liquidity of the Shares as discussed in the sub-section above headed "4(b). Trading liquidity of the Shares", the Proposal provides an exit opportunity for the Disinterested Scheme Shareholders at a fixed cash price, enabling them to enjoy relatively high premiums over historical market prices.

DISCUSSION

The Group is engaged in the businesses of property agency services, property investment and the provision of credit, principally in the non-residential property market in Hong Kong. In the past few years, the operating results of the Group have been affected by the general downturn in this sector, in particular the fair value losses on the Group's investment properties. This is further demonstrated in the latest published Profit Warning Statement, which stated that the fair value loss on investment properties led to the expectation of a deterioration in financial results in 2025 as compared to 2024, despite that the Group would otherwise record an operating profit (before such fair value loss) for the first eleven months of 2025. While the property agency and credit businesses of the Group have largely been stable, the fair value of the Group's investment properties remains under pressure, and that the Group's future operating performance is expected to remain mixed and subject to various uncertainties, depending on Hong Kong's economic growth and the performance of the non-residential property sector.

The Cancellation Price of HK$0.133 per Scheme Share, which will not be increased, represents substantial premiums in the range of approximately 71.28% to 80.22% over the average closing prices of the Shares for different periods of up to the last 90 days prior to publication of the Announcement. Save for a brief period in mid-2023, the Shares have been trading consistently below the Cancellation Price during the past three years. While there were trading activities for a vast majority of the trading days during the 90-Trading-Day Period, trading of the Shares was not considered to be active taking into account the monthly trading volumes and the dollar values of the Shares. As at the Latest Practicable Date, the Shares closed at HK$0.120, representing a discount of approximately 9.77% to the Cancellation Price.

Based on our research on Hong Kong listed peers, Midland is the only listed company principally engaged in property agency business in Hong Kong. Based on the Cancellation Price, the Company's P/E ratios (based on the Adjusted Profit) are higher than that of Midland, but the Company's P/B ratio is lower than that of Midland. Midland focuses on the residential property market and a majority of its assets represents working capital items, unlike the Group's principal assets being its portfolio of investment properties, which made a comparison difficult. As an alternative, we have identified ten Property Investment Peers with significant investment properties in Hong Kong. The P/B and P/E ratios (after excluding fair value loss on investment properties) as represented by the Cancellation Price were higher than, and therefore compare favourably with, the mean and median P/B and P/E ratios of the Property Investment Peers (excluding outlier).

The Group's assets are largely made up of tangible assets, with over half of the Group's total assets representing its investment properties, the fair value of which has been periodically assessed and reflected on the Group's consolidated balance sheet. Based on the Property Valuation Report set out in Appendix II to the Scheme Document, to which Disinterested Scheme Shareholders' attention is drawn, the investment properties of the Group were valued at HK$835.6 million in aggregate as at 30 November 2025. The Cancellation Price represents a discount of approximately 76.08% to the Adjusted NAV of approximately HK$0.556 per Share, which takes into account the above property valuation. All four successful Privatisation Precedents that we have identified had their offer prices representing different levels of discounts to net assets. The above 76.08% discount as represented by the Cancellation Price is higher than three of the four Privatisation Precedents. While this is the case, the Disinterested Scheme Shareholders do not control the Board and are not able to access the businesses or net assets of the Group, or realise the net asset value of the Group by disposing, if the Scheme does not become effective, the Group's assets and repaying its liabilities. The management of the Group has confirmed that there is no intention to dispose of its investment properties, as such properties are held for long-term rental income. It follows that if the Shares remain listed, any return to the Shareholders from their investment would most unlikely to come from the disposal of investment properties (which constitute over 50% of the Group's total assets), but instead be primarily in the form of future distribution of profit (in this respect, we note the absence of dividend distribution to Shareholders in recent years). The other recourse for Shareholders would be the sale of the Shares on the Stock Exchange by the Shareholders. We note that the Shares had historically been trading at significant discounts to the Group's net assets, and closed on the Last Full Trading Day at a discount of approximately 87.39% to net assets. From the standpoint of a minority shareholder, in these circumstances, the most realistic approach in assessing the value of its shares is with reference to the market price. In this respect, the Cancellation Price represents premiums over closing prices of the Shares towards the high end of the Privatisation Precedents.

We consider that both the Adjusted NAV and the historical market prices of the Shares to be relevant in assessing the Cancellation Price, and with their respective characteristics, including (for the Adjusted NAV) the Disinterested Scheme Shareholders' inability to control or realise the net assets of the Group, and (for the historical market prices of the Shares) the low trading liquidity of the Shares and the deep discounts to net assets as reflected in historical market prices of the Shares. As disclosed above, there were trading activities for a vast majority of the trading days during the 90-Trading-Day Period, we are of the view that the comparisons between the Cancellation Price and the historical prices of the Shares represent meaningful analyses for the Disinterested Scheme Shareholders when considering the merits of the Proposal against similar privatisation precedents. As shown in our analysis of the Privatisation Precedents, the relevant privatisation offer is often a compromise between net asset value (as represented by the offer price's discount to net asset value) and the historical market prices of the shares (as represented by the offer price's premiums over market). Although a full realisation of the Adjusted NAV of approximately HK$0.556 per Share to the Disinterested Scheme Shareholders is not available under the Proposal compared to the Cancellation Price of HK$0.133, nevertheless after considering the factors discussed above, together with backdrop of the Company's specific circumstances regarding its net losses, the absence of dividend distribution to Shareholders in recent years, and the low trading liquidity of the Shares, we are of the view that the Cancellation Price, despite its approximately 76.08% discount to the Adjusted NAV, is fair and reasonable, and that the Proposal provides an exit opportunity at a fixed cash price, which represents substantial premiums over historical market prices.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine

M. N. Sabine	**John Wong**
Chairman	*Director*

Mr. M. N. Sabine 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 forty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited. He has over fifteen years of experience in the corporate finance industry.