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30 April 2025

To the Independent Board Committee

Soundwill Holdings Limited
21/F, Soundwill Plaza
No. 38 Russell Street
Causeway Bay
Hong Kong

Dear Sir or Madam,

(1) PROPOSED PRIVATISATION OF SOUNDWILL HOLDINGS LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT; (2) PROPOSED WITHDRAWAL OF LISTING OF SOUNDWILL HOLDINGS LIMITED; AND (3) PROPOSED SPECIAL DIVIDEND

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Proposal and the Scheme. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee as set out in the announcement of the Company dated 17 March 2025. Details of the Proposal and the Scheme are set out in "Part III — Letter from the Board" and "Part VI — Explanatory Statement" contained in the Scheme Document dated 30 April 2025, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Proposal

Pursuant to the Announcement dated 7 March 2025, the Offeror and the Company jointly announced that on 5 March 2025, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under section 99 of the Companies Act, which, if implemented, would result in the Company being owned as to (i) approximately 25.03% by the Offeror; (ii) approximately 0.03% by Madam Foo; (iii) approximately 74.10% by Ko Bee; and (iv) approximately 0.84% by Full Match and the withdrawal of listing of the Shares from the Stock Exchange. As disclosed in the Scheme Document, all Scheme Shareholders are also Disinterested Scheme Shareholders as at the Latest Practicable Date.

If the Proposal is approved and implemented, all the Scheme Shares will be cancelled and the Scheme Shareholders will receive the Total Price of HK$8.5 for each Scheme Share, comprising (i) the Cancellation Price of HK$7.5 in cash for each Scheme Share to be paid by the Offeror under the Scheme, and (ii) the Special Dividend of HK$1.0 in cash for each Share to be paid by the Company.

Shareholders and potential investors of the Company should be aware that the declaration of the Special Dividend of HK$1.0, which forms part of the Total Price, is subject to (i) the passing of an ordinary resolution at the SGM to approve the Special Dividend; and (ii) the Scheme having become binding and effective in accordance with its terms and conditions. Accordingly, the Special Dividend may or may not materialise.

Ko Bee (which, together with Full Match, holds 212,305,028 Shares representing approximately 74.94% of the issued Shares as at the Latest Practicable Date) has irrevocably undertaken (to the extent permitted under the Takeovers Code, the Listing Rules, and applicable laws and regulations) to vote in favour of the ordinary resolution at the SGM to approve the Special Dividend. Accordingly, Ko Bee shall fulfil its legal commitments undertaken in the undertaking to vote in favour of the aforesaid resolution, so that the Special Dividend will be approved at the SGM. Upon the Scheme becoming binding and effective in accordance with its terms and conditions, the Special Dividend will be paid to Shareholders whose names appear on the register of members of the Company as of the Record Date.

For further details, please refer to section headed "6. Special Dividend" under "Part III — Letter from the Board" in this Scheme Document.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Chan Kai Nang, Mr. Pao Ping Wing and Mr. Young Chun Man, Kenneth, has been established by the Board to advise the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme, and in particular as to (i) whether the Proposal and the Scheme are fair and reasonable; and (ii) voting at the Court Meeting and the SGM.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser in relation to the Proposal and the Scheme, our role is to advise the Independent Board Committee as to (i) whether the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) whether the Disinterested Scheme Shareholders should vote in favour of the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal at the SGM.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the commencement of the Offer Period.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in relation to the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"); (iii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (iv) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date and up to the date of the Court Meeting and the SGM.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Disinterested Scheme Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Disinterested Scheme Shareholders as a result of the Proposal and the Scheme. In particular, the Disinterested Scheme Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background of the Group

The Company is an exempted company incorporated in Bermuda with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 878). It is principally engaged in investment holding and the Group is principally engaged in various lines of business including property assembly, property leasing, property development and provision of building management services in Hong Kong and property development in the PRC.

The Group's major properties held include (i) Soundwill Plaza and Soundwill Plaza II — Midtown in Causeway Bay, Hong Kong; (ii) 10 Knutsford Terrace in Tsim Sha Tsui, Hong Kong; and (iii) Kai Kwong Commercial Building in Wan Chai, Hong Kong. Its major development properties include (i) iCITY project at 111 Ta Chuen Ping Street, Kwai Chung, Hong Kong; (ii) Lakeview Bay • VOGUE 尚薈海岸(景湖灣) project in Gaoyao, Guangdong, PRC; and (iii) Grand Capital 譽名都(山水向日) project in Zhuhai, Guangdong, PRC. The Group also operates the business of One Storage which offers secure storage space with professional management and services to customers.

1.2 Historical financial performance of the Group

Set out below is a table summarising certain key financial information of the Group for its financial years ended 31 December ("**FY**") 2022, 2023 and 2024 ("**FY2022**", "**FY2023**" and "**FY2024**"), as extracted from the 2023 Annual Report and the 2024 Annual Report.

Selected items of Consolidated Income Statement

HK$'000	**FY2024** (audited)	**FY2023** (audited)	**FY2022** (audited)
Revenue	**1,229,732**	**395,892**	**478,376**
— *Revenue from goods and services*	*898,353*	*44,208*	*102,242*
— *Property development*	*875,054*	*22,729*	*78,611*
— *Building management & other services*	*23,299*	*21,479*	*23,631*
— *Rental income*	*331,379*	*351,684*	*376,134*
Cost of sales	(528,706)	(42,404)	(82,588)
Gross profit	**701,026**	**353,488**	**395,788**
Other income, gains and losses	71,721	437,888	52,776
Selling expenses	(84,787)	(2,254)	(3,629)
Administrative expenses	(120,766)	(126,818)	(118,712)
Net fair value loss on investment properties	(2,900,959)	(1,212,858)	(464,274)
Finance costs	(75,868)	(84,579)	(43,079)
Others	1,969	11,440	(541)
Loss before income tax expenses	**(2,407,664)**	**(623,693)**	**(181,671)**
Income tax expense	(83,907)	(22,810)	(80,720)
Loss for the year	**(2,491,571)**	**(646,503)**	**(262,391)**

FY2023 vs FY2022

In FY2023, the Group recorded revenue of HK$395.9 million, representing a decrease of 17.2% from FY2022. Rental income was 6.5% lower due to rental support measures offered to tenants while there were also changes in market consumption habits that had slowed down the retail industry's post-pandemic recovery. Property development income, which was derived from projects in the PRC, was lower at HK$22.7 million in FY2023 compared with HK$78.6 million in FY2022 as fewer units were being sold. Cost of sales similarly decreased from HK$82.6 million in FY2022 to HK$42.4 million in FY2023 due partly to the aforesaid property sales. Consequently, gross profit decreased by a lesser extent of 10.7% to HK$353.5 million in FY2023.

The Group recorded substantial amounts of other income, gain and losses of HK$437.9 million in FY2023 mainly from one-off gain from forfeiture of deposits of HK$364.5 million following the termination of the sale and purchase agreement relating to Haven Court ("**Terminated S&P**"), the details of which can be found on the announcement of the Company dated 13 September 2023. Interest income was also higher due to the overall higher interest rate environment during FY2023.

Administrative expenses were higher by 6.8% in FY2023 due mainly to higher employee compensation expenses. Under the high-interest rate environment, finance costs almost doubled in FY2023 compared to FY2022. Due to the weak market environment, the Group recorded a substantial amount of net fair value loss on investment properties of HK$1,212.9 million in FY2023. This represents a further significant increase from the HK$464.3 million net fair value loss recorded in FY2022.

Despite recording gross profit and the one-off gain above, as a result of the substantial amount of net fair value loss on investment properties recognised, the Group recorded loss before income tax expenses of HK$623.7 million in FY2023. Income tax expense decreased as Hong Kong rental income was lower in FY2023 while taxation relating to property sales in the PRC also decreased along with lower property sales in FY2023 compared with FY2022. Consequently, the Group recorded loss for the year of HK$646.5 million in FY2023, a significant deterioration compared with loss of HK$262.4 million in FY2022.

FY2024 vs FY2023

The Group's revenue increased substantially by over 200% to HK$1,229.7 million boosted principally by property development income from sales of iCITY, the Group's new industrial development project in Kwai Chung. The Management has noted that iCITY was launched for sale back in 2022 when property market conditions were more favourable. Property development income amounted to HK$875.1 million in FY2024 compared to HK$22.7 million in FY2023. Meanwhile its major source of recurring income, being rental income, had continued to decline in FY2024 where at HK$331.4 million, was 5.8% lower than FY2023 as market conditions had yet to fully recover. According to the Management, the Group's core investment property portfolio of Soundwill Plaza, Soundwill Plaza II-Midtown and 10 Knutsford Terrace had experienced a decrease in overall rental income due to lower average rental returns from lease renewals and new leases.

Cost of sales increased substantially to HK$528.7 million, corresponding to the cost of property sold at iCITY. As a result of higher revenue from property sales, the Group recorded gross profit of HK$701.0 million in FY2024, a 98.3% increase compared to FY2023. Other income decreased substantially in FY2024 in the absence of the one-off gain relating to forfeiture of deposits as explained above for FY2023.

Selling expenses increased substantially to HK$84.8 million, similarly corresponding to properties sold at iCITY and included commissions paid to property agents for iCITY sales. Administrative expenses were lower in FY2024 as depreciation expenses were reduced while employee compensation expenses held steady. During FY2024 interest expenses had remained at similar level to FY2023 as interest rates had remained relatively high.

During FY2024, the real estate market in Hong Kong and PRC continued their downward trend resulting in the Group having to recognise significant net fair value loss on investment properties of HK$2,901.0 million. This represents a further increase from the HK$1,212.9 million net fair value loss recorded in FY2023.

In line with increased profitability from property sales, income tax, in particular Hong Kong profits tax, had increased in FY2024 to HK$83.9 million. Taking into account the aforesaid significant net fair value loss, the Group recorded loss for the year of HK$2,491.6 million for FY2024.

Overall, we observed that operationally the Group was able to maintain gross profit positions. While profitability level for rental operations had deteriorated along with lower rental income, property sales from property development activities had boosted overall profitability in FY2024. Administrative expenses had meanwhile remained at similar levels between FY2022 and FY2024. Profitability was augmented in FY2023 by other income and gains, but this appeared to be one-off.

As the Hong Kong and PRC real estate prices had been on a downward trend in the past few years, the Group had continued to record net fair value losses on its investment properties. In fact, the Group had recorded seven consecutive years of such net fair value losses since FY2018. Consequently, these have had a negative impact on the net asset value or net equity value of the Group as further discussed below.

Selected items of Consolidated Statement of Financial Position

HK$'000		**As at**	
	31 December 2024 (audited)	**31 December 2023** (audited)	**31 December 2022** (audited)
Non-current assets			
Investment properties	15,266,445	18,171,015	19,374,605
Property, plant and equipment	112,361	114,714	122,528
Loan receivables	222,181	4,349	5,906
Others	42,688	43,006	48,907
Total non-current assets	**15,643,675**	**18,333,084**	**19,551,946**
Current assets			
Properties for sale and assets classified as held for sales	1,025,464	1,381,903	1,063,112
Trade and other receivables	155,214	146,940	174,070
Short-term bank deposits and cash & cash equivalents	1,150,786	1,138,306	1,394,944
Financial assets at fair value through profit or loss	—	—	38,884
Total current assets	**2,331,464**	**2,667,149**	**2,671,010**
Current liabilities			
Borrowings	(891,298)	(585,072)	(87,728)
Trade and other payables	(566,266)	(544,983)	(855,326)
Contract and lease liabilities	(46,591)	(206,303)	(141,480)
Provision for income tax	(165,456)	(121,123)	(121,631)
Total current liabilities	**(1,669,611)**	**(1,457,481)**	**(1,206,165)**
Non-current liabilities			
Borrowings	(468,560)	(931,727)	(1,686,799)
Lease and deferred tax liabilities	(160,227)	(151,163)	(154,358)
Total non-current liabilities	**(628,787)**	**(1,082,890)**	**(1,841,157)**
Net Assets	**15,676,741**	**18,459,862**	**19,175,634**

The Group's non-current assets comprised principally investment properties in Hong Kong, including those under re-development. As at 31 December 2022, certain investment properties with carrying amount of

HK$2,200.6 million were related to the Terminated S&P. The carrying amount of investment properties had declined from HK$19,374.6 million to HK$15,266.4 million between 31 December 2022 and 31 December 2024 due mainly to recognition of net fair value loss during this period. Property, plant and equipment comprised mainly the Group's owner-occupied buildings. The amount had remained stable from 31 December 2022 to 31 December 2024. Loan receivables increased from nominal amount as at 31 December 2022 and 31 December 2023 to HK$222.2 million as at 31 December 2024 due to the Group's provision of mortgage loans to certain purchasers of the iCITY workshops.

The Group's current assets comprised principally (i) its cash holdings in the form of short-term bank deposits and cash and cash equivalents; and (ii) properties for sale. Its cash holdings had reduced from HK$1,394.9 million as at 31 December 2022 to HK$1,150.8 million as at 31 December 2024. The cash holdings as at 31 December 2022 included cash deposits relating to the Terminated S&P. Between this period, the Group had also paid down its borrowings as well as paid out dividends to Shareholders, including final and special dividends in June 2024 which amounted to about HK$283 million. Properties for sale had increased between 31 December 2022 and 31 December 2023 and then reduced as at 31 December 2024 largely in line with the completion, launch and sale of the iCITY development project.

The Group's current liabilities comprised principally trade and other payables and its short-term borrowings. As at 31 December 2022, included in trade and other payables was deposit of approximately HK$320.9 million related to the Terminated S&P. As this deposit was subsequently forfeited by the Group in 2023, the amount of trade and other payables decreased as at 31 December 2023 and 31 December 2024. The amount of contract and lease liabilities fluctuated mainly in line with changes in deposits received in advance associated with pre-sale of iCITY between 31 December 2022 and 31 December 2024. As at 31 December 2024, Group had borrowings of HK$891.3 million falling due within 12 months, which may be subject to repayment and/or refinancing.

While the Group's total borrowings (under current and non-current liabilities) had progressively decreased from HK$1,774.5 million as at 31 December 2022 to HK$1,516.8 million as at 31 December 2023 and to HK$1,359.8 million as at 31 December 2024, the amount which would come due within a year (as stated above) had increased resulting in larger amount being classified under current liabilities. For the reason explained above regarding borrowings, the Group's non-current liabilities correspondingly reduced between 31 December 2022 and 31 December 2024.

As a combination of the above reasons, the Group's net assets had decreased from HK$19,175.6 million as at 31 December 2022 to HK$15,676.7 million as at 31 December 2024.

Overall, the Group had maintained strong liquidity and low gearing positions which allowed it to weather the current economic and market downturn that had negatively impacted the overall property industry and the Group's businesses in the past three financial years. Its asset position had however been precarious in the past few years due to continued recognition of net fair value loss on its investment properties, resulting in continuous decline in the Group's net assets.

1.3 Dividends

The table below sets out the Company's historical dividend to shareholders during the past five years ended 31 December 2024.

Year ended	**Dividend per Share** *(HK$)*
31 December 2024	Nil*
31 December 2023	1.00
31 December 2022	0.20
31 December 2021	0.20
31 December 2020	0.20
31 December 2019	0.20

* *Excluding the Special Dividend which is inter-conditional with the approval of the Scheme*

The Company had consistently distributed dividends to its shareholders at least over the five years between FY2019 and FY2023. For FY2024, the Board does not recommend payment of any dividend. According to the 2023 Annual Report, the Company has adopted a dividend policy and aims to allow its shareholders to share Company's profits and for the Company to retain adequate reserves for business needs and growth. It is stated that the Board shall take into account various factors it may deem relevant, including but not limited to the Group's actual and expected financial performance, working capital requirements, capital expenditure requirements and commitments, operations and business strategies, liquidity position, retained earnings and distributable reserves, etc., and market conditions and external factors. In particular, we note that the Company may be inclined to maintain a stronger liquidity position when there is capital intensive business operation, and the Company makes no assurance that dividend will be paid for any given period or will be paid in any particular amount.

We observe that the dividends paid by the Group above had remained constant over the years, save for FY2023 when a special dividend of HK$0.80 per Share was also declared. We understand from the Management that this special dividend was declared principally due to the completion of a major property development project of the Group, namely iCITY, in 2023. The Group did not declare any dividend for FY2024 which the Management noted to be consistent with its dividend policy. As further discussed in the sections headed "1.2

Historical financial performance of the Group" above and "1.4 Industry and outlook of the Group" below, the Group's rental revenue had been declining in the past three years while property sales had fluctuated. Its financial position was adversely affected by recognition of net fair value losses on investment properties along with downturn of commercial and retail property sectors in recent years. Coupled with its capital expenditure and cash flow needs for various development projects in the pipeline such as those ongoing at 42–44 Yiu Wa Street in Causeway Bay and 13–17 Wah Sing Street in Kwai Chung and potential future Haven Court redevelopment, the Group's ability to pay dividend is curtailed. The construction costs of the above projects are expected to exceed HK$2.2 billion, which, as an illustration, will far exceed the amounts of dividends paid to Shareholders in the past few years since FY2019.

The stance adopted by the Company above will likely entail the amount of dividend to be declared and paid (if any at all) to remain at lower levels in the short-to-medium term until such time when these non-cash generating projects turn cash-generating.

1.4 Industry and outlook of the Group

The Group is principally engaged in property leasing, property development and provision of building management services in Hong Kong and property development in the PRC. Its investment property portfolio is principally located in Hong Kong and encompasses those for retail, commercial, industrial and residential use. On this basis, we have conducted independent research on these sectors of the Hong Kong property market and the residential property market in the PRC.

Hong Kong Property Market

For our independent research on Hong Kong's office and industrial property markets, we have reviewed a report issued by CBRE Research under CBRE Group, Inc titled "2025 Hong Kong Real Estate Market Outlook" ("**CBRE Report**"). CBRE Research is part of CBRE Group, Inc which is listed on the New York Stock Exchange and according to its annual report, CBRE Group, Inc is the world's largest commercial real estate services and investments firm. It maintains an extensive research and data platform and counts nearly 90% of Fortune 100 companies and many of the world's largest institutional real estate investors as its clients. We noted that CBRE Research regularly issues market reports on global and regional markets for comprehensive range of property types including office, residential, hotels, industrial and logistics as well as retail, and their findings and forecasts are quoted by news media.

The CBRE Report stated that vacancy rates of offices had continued to rise, and landlords have had to become more flexible where alongside direct rental reductions, additional incentives such as reinstatement waivers were being offered. Overall, office rental in Hong Kong fell by 6.3% in 2024 compared with 2023. For 2025, CBRE Research expects demand for offices to improve slightly but vacancy is set to further increase, causing rental rates to drop by 5% to 10%. The drop will primarily be led by decentralised submarkets. The CBRE Report noted that high leasing volume had resulted in a drop in core shopping district high street shop vacancy rate and saw retail rents climbed by 5.7% year-on-year in 2024. CBRE Research anticipate leasing momentum to remain healthy in 2025 with high street shop vacancy rate remaining relatively low, supporting rental growth of up to 5% in 2025 despite the overall fall in retail sales. In respect of industrial properties, CBRE Research stated that in 2024, warehouse occupiers continued to be cost-conscious. As landlords were willing to provide incentives for tenants to stay, relocation demand declined. During 2024, overall warehouse rents fell by 4.6% year-on-year. CBRE Research expects a combination of weak demand and higher number of lease expiries to push up vacancies and result in warehouse rents declining by up to 5% in 2025.

For more comprehensive review, we have cross-checked the above with the forecasts on Hong Kong property market by two other established real estate services and investments firm, namely Jones Lang LaSalle IP, Inc. ("**JLL**") and Knight Frank Hong Kong Limited ("**Knight Frank**"). JLL is a leading global commercial real estate and investment management company with annual revenue of US$20.8 billion, operations in over 80 countries and a global workforce of more than 106,000. It is a Fortune 500 company listed on the New York Stock Exchange. Knight Frank is a leading independent property consultancy with more than 27,000 people operating from more than 740 offices across over 50 territories. Its Hong Kong business was established in 1972 and since then has expanded to provide complete coverage across Greater China.

For the office market in 2025, JLL forecasts that there will be continued improvement in leasing volume with more sizeable transactions expected but it projects overall rent to continue to decline in 2025. For Causeway Bay area, JLL projects that office rental will decline by up to 5%. Knight Frank meanwhile forecasts grade-A office in Hong Kong Island to drop by 0 to 3% in 2025.

For the retail market in 2025, JLL forecasts rental rates for high street shops and prime shopping centres to decline 0 to 5%. Knight Frank meanwhile expects retail rent to be stable in 2025.

The PRC

For our independent research on PRC's residential property market, we have reviewed a report issued by Savills (Hong Kong) Limited on the "2025 Chinese Real Estate Market Outlook" ("**PRC Report**"). Savills (Hong Kong) Limited is part of Savills plc, which is listed on the London Stock Exchange and advises on commercial, residential, rural and leisure property. It also provides corporate finance advice, investment management and a range of property-related financial services. Its services span globally, with over 40,000 experts working across more than 700 offices. Savills regularly issues market reports on global and regional markets and their reports are frequently quoted by news media.

Savills expects that the PRC residential sector will undergo a moderate recovery in 2025 after having experienced a four-year adjustment period. Policy tone has shifted toward stabilising the real estate market, with a series of easing policies to support the economy and the market. According to data from November and December 2024, the decline in housing prices has narrowed, bringing gradual stability to the industry. Transactions in first-tier cities have also become more active, and their performance in 2025 will be crucial to restoring overall market confidence.

Based on the above, it appears these research houses generally hold a cautious view on the outlook of Hong Kong's property in 2025, mostly forecasting further moderate decline in rental rates. We are of the view that the Group's rental operations may continue to be under pressure, especially for its office leasing activities. There may be bright spots for the Group's retail leasing operations as vacancy rate and rental rate appear to have stabilised, but we noted that rental rates remain substantially lower compared to pre-pandemic periods. These may continue to weigh on the capital value of the Group's investment properties.

In particular, we noted that as part of the Group's land acquisition and development strategy, the Group had previously acquired units in older buildings for ownership consolidation. In this respect, although the Group successfully obtained a compulsory sale order for Haven Court from the Lands Tribunal in 2024, a public auction held in accordance with the order failed to attract bidders, and the Group, having assessed the current economic and property market conditions, also decided not to place a bid. We believe the above reflects the prevailing cautiousness of market players which may dampen property investment activities in Hong Kong in the short-to-medium term.

For property development activities, we understand from the Management that after iCITY, the Group currently does not have completed project that is ready and available for sale on a strata-title basis. There are only a small number of remaining units available for sale at Grand Capital while there are considerable number of units available for sale at Lakeview Bay • VOGUE. As the pace of sale has been slow in the PRC, the Group plans to capitalise on potential market rebound in 2025 to sell such remaining units by partnering with several parties.

2. Background information of the Offeror

2.1 The Offeror and the Offeror Concert Parties

The Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ko Bee Limited. The directors of the Offeror as at the date of the Latest Practicable Date were Madam Foo Kam Chu Grace, Mr. Chan Hing Tat, and Mr. Tan Benny Min Tack. The Offeror does not own, control, or have direction over any shares of the Company as at the Latest Practicable Date. The Offeror is currently proposing the privatisation of the Company by way of a scheme of arrangement. Payment of the Cancellation Price of HK$7.5 per Scheme Share will be funded by external debt and/or internal resources of a controlled entity under Madam Foo's family trust. Payment of the Special Dividend will be funded by the internal cash resources of the Group.

Ko Bee Limited

Ko Bee Limited is a company incorporated in the British Virgin Islands with limited liability which in turn, is wholly owned by a family discretionary trust whose beneficiaries include Madam Foo and her family members including but not limited to Ms. Chan Wai Ling, Mr. Chan Hing Tat, and Ms. Winnie Chan. The trustee of this family trust is Century Pine (PTC) Limited. As at the Latest Practicable Date, Ko Bee owned 209,919,028 Shares, representing approximately 74.10% of the issued share capital of the Company.

Madam Foo Kam Chu Grace

Madam Foo Kam Chu Grace is the founder of the Group and an executive Director and a director of certain subsidiaries of the Group. She has extensive experience in the property market in Hong Kong since the early 1970s, specialising in acquiring old buildings for redevelopment. Madam Foo is the mother of Ms. Chan Wai Ling, Mr. Chan Hing Tat, and Ms. Winnie Chan. As at the Latest Practicable Date, Madam Foo personally held 96,602 Shares, representing approximately 0.03% of the issued share capital of the Company. Madam Foo is a director of the Offeror.

Full Match Limited

Full Match Limited is a company incorporated in the British Virgin Islands with limited liability. Full Match is wholly owned by Ko Bee. As at the Latest Practicable Date, Full Match held 2,386,000 Shares, representing approximately 0.84% of the issued share capital of the Company.

Ms. Chan Wai Ling

Ms. Chan Wai Ling is the Deputy Chairman of the Company and an executive Director and a director of certain subsidiaries of the Group. She is in charge of the Hong Kong property department and is responsible for property development and leasing of Hong Kong properties of the Group. She is the daughter of Madam Foo and the sister of Mr. Chan Hing Tat and Ms. Winnie Chan. Ms. Chan Wai Ling is a beneficiary of Madam Foo's family trust.

Mr. Chan Hing Tat

Mr. Chan Hing Tat is the Chairman of the Company and an executive Director and a director of certain subsidiaries of the Group. He is mainly responsible for the Group's business development. He is the son of Madam Foo and the brother of Ms. Chan Wai Ling and Ms. Winnie Chan. Mr. Chan Hing Tat is a director of the Offeror, and a beneficiary of Madam Foo's family trust.

Ms. Winnie Chan

Ms. Winnie Chan is the daughter of Madam Foo and the sister of Ms. Chan Wai Ling and Mr. Chan Hing Tat. Ms. Winnie Chan is a beneficiary of Madam Foo's family trust.

Century Pine (PTC) Limited

Century Pine (PTC) Limited is the trustee of Madam Foo's family trust.

The Offeror Concert Parties, as at the Latest Practicable Date, own, control, or have direction over 212,401,630 Shares, representing approximately 74.97% of the issued share capital of the Company. This includes Shares held by Madam Foo, Ko Bee, and Full Match.

2.2 The Offeror's intention in relation to the Group

As disclosed in the paragraph headed "10. Intentions of the Offeror with regard to the Group" under the section headed "Part VI — Explanatory Statement" of the Scheme Document, as at the Latest Practicable Date, following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its business, including property assembly, property leasing, property development, and the provision of building management services. The Offeror, being a controlled entity under the family trust of Madam Foo (as the founder and management of the Group), plans to implement this strategic plan regardless of whether the Proposal becomes effective, and has no intention to divest its major investment properties of the Group in the short to medium term. Furthermore, the Offeror has no intention to have the Shares listed on other stock markets in the near future or to make major changes to the business of the Group and the employment of the employees of the Group, save for changes that may be implemented following a review of the Group's strategy.

2.3 Withdrawal of the listing of the Shares

As part of the Proposal, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares in accordance with Rule 6.15(2) of the Listing Rules. This withdrawal is intended to take place immediately following the Effective Date, upon the Scheme becoming effective. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares will not be withdrawn. Furthermore, no Scheme Shares would be cancelled, and the aforesaid shareholding will remain unchanged, and thus the public float requirement pursuant to Rule 8.08 of the Listing Rules would be met.

3. Rationale of the Proposal from the perspectives of the Company and the Disinterested Scheme Shareholders

We have considered the rationale of the Proposal from the perspectives of the Disinterested Scheme Shareholders as well as the Company as follows:

3.1 From the perspective of the Disinterested Scheme Shareholders

Current market conditions and operating environment faced by the Group

The Management has highlighted several critical issues impacting the Group's performance, such as (i) declining property leasing revenues, (ii) challenges in asset realisation, (iii) rising construction costs and capital expenditure, and (iv) the impact of proposed rental regulations. The Group's core business, which includes property leasing, development, and building management services in Hong Kong and property development in the PRC, has experienced significant headwind which also affected its statement of financial position, sustained by a variety of macroeconomic factors such as global geopolitical tensions, high inflation, and intense regional competition.

As discussed above under the section headed "1.2 Historical financial performance of the Group", the Group has been recording a notable decline in its rental income of 11.9% between FY2022 and FY2024, driven by a combination of the aforementioned macroeconomic factors and post-pandemic shifts towards online shopping, which have collectively reduced demand for physical retail spaces. Likewise, despite sales of certain investment properties in FY2024, deteriorating property markets have deterred investors from committing to real estate in a high-interest environment, posing challenges for the Group in realising values in its heritable assets such as Haven Court amidst widening net fair value write-downs. Consequently, since FY2022, the Group had continuously recorded net fair value loss on its investment properties which in FY2024 alone, amounted to approximately HK$2.9 billion.

A combination of factors such as declining rental income, illiquid property markets, and rising cost of sales (in particular, expected construction costs in excess of HK$2.2 billion) has significant implications for the Group's core cash flow generation and ability to finance new projects. While the Group has committed to implementing a long-term strategic plan via an extended investment cycle as discussed below, these aforementioned factors may place further strain on the Group's financial reserves and require additional financing to support its property development operations. We therefore concur with the Management that the Group faces substantial challenges in maintaining its financial performance.

While property sales like those for iCITY previously may provide a temporary boost to revenue, the overall sustained pressure in the property markets environment places considerable strain on the Group's ability to return immediate value to shareholders whilst maintaining a robust balance sheet. A stabilising retail sector may provide respites although recognisably, any recovery may remain distant from pre-pandemic peak levels. We are of the view that the Proposal represents an opportunity to exit their investments in the Company at a premium to prevailing market valuation of the Shares before the Proposal, amidst this period of uncertainties.

Total Price relative to market benchmarks

The Total Price of HK$8.50 per Scheme Share, comprising (i) the Cancellation Price of HK$7.5 in cash for each Scheme Share to be paid by the Offeror, and (ii) the Special Dividend of HK$1.0 in cash for each Share (which Ko Bee has irrevocably undertaken to vote in favour of), represents substantial premiums over recent trading market prices. During the Review Period (defined below), the Share price had largely remained at a steady downwards trend, with an average daily closing price of approximately HK$5.92. As shown in the section headed "4.1 Historical price performance of the Shares" below, at no point during the Review Period had the Share price reached the level of the Total Price, a price we believe has been largely suppressed by current industry challenges and the Group's affected financial performance as disclosed in the FY2023 and FY2024 results. In fact, we observed that at no point within the past 3 years leading up to the Latest Practicable Date had the Shares traded at above the Total Price. The result is also that of a persistently depressed share price treading at a substantial discount of approximately 85.0% to the Group's NAV, a characteristic largely shared among its peers as discussed in the section headed "4.3. Comparables analysis".

The recent increase in Share price occurred only after the publication of the Announcement. The presence of the Proposal, we believe, currently serves as the foundation for the elevated trading price and volume of the Shares, and that the absence or lapse of the Proposal may likely cause the Share price to retreat to pre-Announcement levels. Furthermore, the limited share purchase headroom of 0.03% (that being the maximum private holdings of 75% pursuant to Rule 8.08 of the Listing Rules less the percentage of shares held by the Offeror and Offeror Concert Parties of 74.97%) for the Company to conduct on-market Share buy-backs without compromising the public float and listing status of the Company further raises difficulty for the Company to bolster the Share price through corporate actions.

In the absence of any observable impetus to the protracted low price level prior to the Announcement or an alternative offer, the Proposal presents Disinterested Scheme Shareholders with the only viable option to sell their Shares at a premium to prevailing market price with certainty. For more detailed analysis of the trading price against the Cancellation Price and Total Price, and comparisons of the Proposal against privatisations of similar nature, see the sections headed "4.1. Historical Price Performance of the Shares" and "5. Privatisation Precedents" below.

Monetisation opportunity regardless of shareholding size

Without sufficient liquidity in the open market, minority shareholders generally face difficulty to exit their positions without depressing market share price which compromises the exit value for their investments. We have conducted analysis on the trading volume of the Shares over the Review Period and have concluded that the low average daily trading volume to the total number of issued Shares (over the Pre-Announcement Period and Review Period, being 0.01% and 0.04% respectively) is indicative of low investor interest and general illiquidity. While a substantial increase in trading liquidity was observed in the days following the Announcement, we maintain that such relatively high volume was triggered by the presence of the Proposal and may not sustain in its absence. There will therefore be potential difficulties for the Disinterested Scheme Shareholders to execute substantial on-market disposals at current market price. Further information is disclosed in the section headed "4.2 Trading liquidity of the Shares" below.

Dividend capacity

Recent financial results indicate a weakening of the Group's dividend payment capacity. The Group reported an approximate HK$2.5 billion loss in FY2024, a substantial deterioration from the prior year's deficit, largely attributable to significant unrealised losses within its investment property portfolio. In combination with the aforementioned factors affecting the Group's rental operations and investment activities, we concur with the Management that maintaining the historical rates of cash dividend distribution may be challenging. Further information is disclosed in the section headed "1.3 Dividends" above.

We understand that the Management intends to pivot away from regular cash flow distributions and will instead prioritise long-term investments with extended horizon. To strengthen the underlying business and respond to rising capital expenditure and operational cost, the Group is likely to be in longer property development cycles than what the Group had previously achieved. The Group also has no intention to divest its major investment properties in the short to medium term. Ongoing development projects such as at 42–44 Yiu Wa Street in Causeway Bay and 13–17 Wah Sing Street in Kwai Chung will, in particular, demand substantial capital injections and liquidity to support construction and future operation in order to become revenue-generating asset.

3.2 *From the perspective of the Company*

Limited benefits in maintaining the Company's Listing Status

Management has noted that the depressed price level and low trading activities of the Shares have limited the Company's ability to conduct equity fund raising to finance its business operation and development, a factor corroborated by the fact that it had not conducted any equity fund raising exercise since 2012 up to the Latest Practicable Date. This has historically rendered the listing status to be of limited value to the Company. Furthermore, as there have been no significant investors apart from the Offeror and the Offeror Concert Parties in the past two decades, the likelihood of an alternative offer is low.

Should the Company withdraw its listing status, immediate administrative and resource savings can be anticipated. This would also allow the reallocation of capital and management resources towards its core business development and investment. Indeed, operating privately typically affords greater flexibility in pursuing long-term strategies without the pressures of short-term public investor expectations in terms of share price and dividends, a potential advantage given prevailing economic uncertainty and industry headwinds. As a result, we concur with this assessment from the perspective of the Company that with the primary function of a public listing of access to capital markets demonstrably curtailed in this case, the associated compliance costs and scrutiny may not be justifiable.

3.3 *Section summary*

In summary, the Proposal warrants due consideration by Disinterested Scheme Shareholders given (i) the Company's declining revenues in its core property leasing business and limited asset realisation for its property development business; and (ii) the substantial premium of the Total Price to prevailing market prices as well as historical prices and the protracted trading illiquidity of Shares. At the same time, we find it reasonable from the Company's perspective that the Proposal gives it the ability to alleviate further cost obligations on the Company in maintaining a listing status which has lost its primary function as a fund-raising platform.

4. The Cancellation Price and Total Price

The table below sets out the premiums or discounts of (i) Cancellation Price of HK$7.50 per Scheme Share, and the (ii) Cancellation Price plus Special Dividend (i.e. Total Price) of HK$8.50 per Scheme Share compared to various benchmarks, including the historical trading prices of the Shares, the audited consolidated NAV, and the Adjusted NAV:

Comparison Metric	**Closing price or average closing price of the Shares** *HK$*	**Premium/ (Discount) represented by the Cancellation Price** *%*	**Premium represented by the Total Price** *%*
Closing price on the Latest Practicable Date	**8.04**	**(6.7%)**	**5.7%**
Closing price on the Benchmark Date	**5.22**	**43.7%**	**62.8%**
Last 5 trading days(1)	5.29	41.8%	60.7%
Last 10 trading days(1)	5.30	41.5%	60.4%
Last 30 trading days(1)	5.33	40.7%	59.5%
Last 60 trading days(1)	5.36	39.9%	58.6%
Last 120 trading days(1)	5.41	38.6%	57.1%
Closing price on the Last Trading Date	**5.50**	**36.4%**	**54.6%**
Last 5 trading days(2)	5.32	41.0%	59.8%
Last 10 trading days(2)	5.32	41.0%	59.8%
Last 30 trading days(2)	5.33	40.7%	59.5%
Last 60 trading days(2)	5.36	39.9%	56.8%
Last 120 trading days(2)	5.41	38.6%	57.1%

	NAV per Share(3)	**Premium/ (Discount) represented by the Cancellation Price**	**Premium/ (Discount) represented by the Total Price**
NAV as at 31 December 2024	55.33	(86.4)%	(84.6)%
Adjusted NAV	56.69	(86.8)%	(85.0)%

Source: Website of the Stock Exchange

Notes:

(1) Up to and including the Benchmark Date.

(2) Up to and including the Last Trading Date.

(3) Calculated based on the Group's net asset value attributable to Shareholders per Share as at the respective date and the number of Shares in issue as at the respective date.

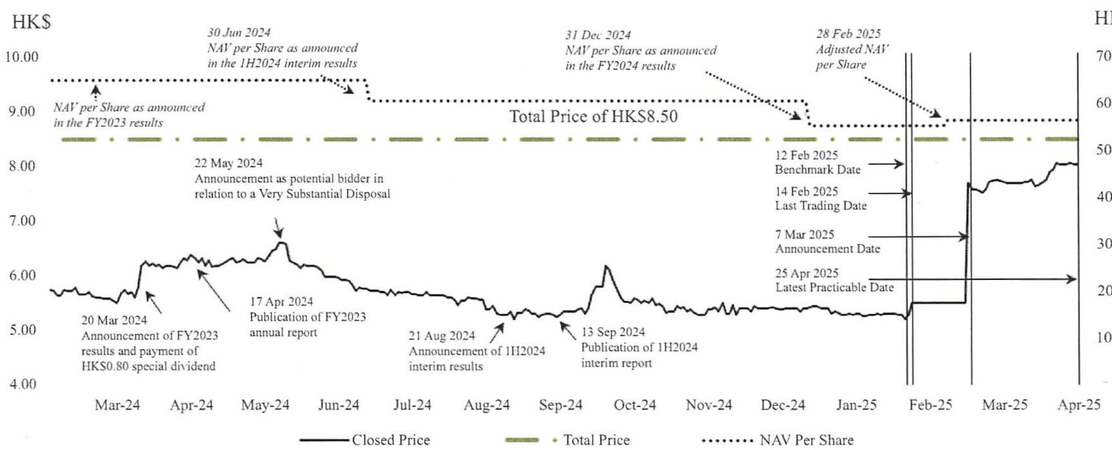
(4) Calculated based on the Group's unaudited Adjusted NAV as at 28 February 2025 and the number of Shares in issue as at the Latest Practicable Date.

According to the paragraph headed "2. Terms of the Proposal" under the section headed "Part III — Letter from the Board" of the Scheme Document, the Offeror will not increase the Total Price and does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Total Price.

4.1 Historical price performance of the Shares

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing from 14 February 2024 (which is 12 months prior to the Last Trading Date) to the Last Trading Date ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**"). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors' reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Total Price.

Closing prices of the Shares against the Total Price during the Review Period and up to the Latest Practicable Date



Source: Website of the Stock Exchange

Historical price performance of the Shares

During the Review Period, the highest and lowest closing prices of the Shares were HK$8.07 per Share and HK$5.21 per Share recorded on 15 April 2025 and 23 April 2025, and 27 August 2024 respectively. The average daily closing price per Share over the Review Period was approximately HK$5.92 per Share. The Cancellation Price and Total Price, being HK$7.50 and HK$8.50 per Scheme Share, represents a substantial premium of 26.8% and 43.7% respectively over such average of closing prices.

As illustrated in the graph above, the Total Price of HK$8.50 exceeds the closing prices of the Shares throughout the entire Review Period. During this period, the Total Price represents substantial premiums ranging from 5.3% (over the highest closing price of HK$8.07 recorded on 15 April 2025 and 23 April 2025) to 63.1% (over the lowest closing price of HK$5.21 recorded on 27 August 2024).

We noted that during the Pre-Announcement Period up to the Benchmark Date (i.e. 12 February 2024 to 12 February 2025), the closing prices of the Shares largely demonstrated a downwards trend, with the exception of several notable surges followed by corresponding declines. The first surge was recorded around the release of the FY2023 results and declaration of a special dividend of HK$0.80 per share on 20 March 2024. The second surge was observed around 22 May 2024, coinciding with announcements regarding a possible notifiable transaction in relation to the bidding of Haven Court on 22 May 2024. Thereafter, following the announcement of the interim results for FY2024 on 21 August 2024, the closing price would tread downwards to its lowest point of HK$5.21 on 27 August 2024. We observed that closing price surged a third time to HK$6.19 between 26 September 2024 and 7 October 2024, however based on our review and discussion with Management, no specific reason has been identified to explain such movements. Thereafter, in the period leading up to the Announcement, the closing price had settled once again to pre-surge levels of HK$5.22 on the Benchmark Date (i.e. 12 February 2025), before rising to HK$5.50 per Share on the Last Trading Date (i.e. 14 February 2025) immediately prior to the suspension of trading in the Shares at 02: 52 p.m. on 15 February 2025 pending the release of the Announcement.

During the Post-Announcement Period, when trading resumed at 09:00 a.m. on 10 March 2025 following the publication of the Announcement, the Share price increased sharply to HK$7.70, the highest during the Review Period up to that date. This increase in price levels approaching the Total Price likely reflected market reactions to the Proposal, and was supported by an equally substantial increase in average daily trading volume of 2,391,147 in the three trading days after the Announcement. As at the Latest Practicable Date, the Share price closed at HK$8.04 per Share. We are of the view that the current Share price and trading activity are bolstered by the presence of the Proposal and that, in the absence or lapse of the Proposal, the Share price may retreat to levels observed prior to the Announcement.

For illustrative purposes, we have conducted research on past privatisation transactions for which scheme documents/circulars were issued since 2024 but subsequently failed and the corresponding offer periods lapsed. We have set out our observations below. The list is exhaustive based on these criteria.

	Date of scheme document/circular	Company name	Stock code	Date of announcement regarding the lapse of privatisation proposal
1.	2 August 2024	Asia Cement (China) Holdings Corporation	743	26 August 2024
2.	23 December 2024	Shanghai Henlius Biotech, Inc	2696	22 January 2025
3.	28 January 2025	Lifestyle China Group Limited	2136	20 February 2025

We observed that for all of the three transactions above, upon announcing their respective lapse of privatisation proposals, their share prices declined to levels well below the cancellation prices.

Historical NAV discount of the Shares

Separately, we note that the Cancellation Price and the Total Price represent significant discounts when compared to the Group's net asset values. Specifically, when comparing with the Group's audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2024, the Cancellation Price and the Total Price represent discounts of 86.4% and 84.6%, respectively. Similarly, when comparing with the Adjusted NAV per Share, the Cancellation Price and the Total Price represent discounts of 86.8% and 85.0%, respectively.

To further analyse this observation, we have examined the historical trading pattern of the closing price of Shares relative to its NAV per Share during the period of the last 3 years up to and including the Last Trading Date, and observed that the closing prices of the Shares during that period had traded at similar levels of discount to NAV per Share, ranging from 85.8% to 91.5%. During the same period, its Comparables, discussed further below in the section headed "4.3 Comparables Analysis", had also displayed similar characteristic of trading at substantial discounts to their NAV per Share, ranging from 67.9% to 85.7%. There appears an inherent trend where the market has generally and consistently valued companies such as the Company and the Comparables at such levels of discounts.

Considering that the Cancellation Price and Total Price (i) are higher than the closing prices of the Shares throughout the entire Review Period and (ii) represents a substantial premium of 26.8% and 43.7% respectively over the average closing price of the Shares during the Review Period, we are of the view that the Cancellation Price and Total Price are fair and reasonable from the perspective of the historical trading price of the Shares.

Calculation of the Adjusted NAV per Share

Reference is also made to the valuations of the property interests of the Group as at 28 February 2025 conducted by Cushman & Wakefield Limited ("**C&W**) with respect to the property interests in Hong Kong and Vincorn Consulting and Appraisal Limited ("**Vincorn**") with respect to the property interests in the PRC, each an independent property valuer appointed by the Company, details of which are set out in Appendix II to the Scheme Document (the "**Property Valuation Reports**"). We note that the principals who are responsible for signing off the relevant Property Valuation Reports possessed proper qualification. Based on our review of the Property Valuation Reports and underlying workings, we are of the view that (i) the valuation approaches are commonly adopted and in line with the market practice, where in general (a) for PRC property interests, market comparison approach is adopted by making reference to the unit rates of comparables as available in the market; and (b) for Hong Kong properties leased out for rental income, by income approach by capitalising the rental income, derived from existing tenancies with due provision for any reversionary income potential and, where applicable, taking into account the potential of the properties for redevelopment.

As illustrated in the paragraph headed "5. Property Interests and Adjusted NAV" set out in "Appendix I — Financial information of the Group" contained in the Scheme Document, set out below is the calculation of the Adjusted NAV per Share taking into account the effect of the net revaluation surplus attributable to owners of the Company arising from the valuations of the Group's properties interests as set out in the Property Valuation Reports.

	HK$
Audited net asset value of the Group as at 31 December 2024	**15,676,741,000**
Adjustments:	
Less: revaluation loss on investment properties — HK(1)	(14,744,176)
Add: net fair value gain on property for sales and leasehold land and building(2)	427,270,186
Less: Deferred taxation — PRC(3)	(27,511,320)
Adjusted NAV	**16,061,755,690**
Adjusted NAV per Share(4)	**56.69**

Notes:

(1) The revaluation loss is calculated based on the difference between (i) the total market value of the investment properties of the Group as at 28 February 2025 of approximately HK$15,234.3 million, deducting the investment properties of approximately HK$24.4 million acquired after 31 December 2024 which were contained in the property valuation report prepared by C&W in Appendix II to this Scheme Document and (ii) the audited book value of the investment properties measured at fair value attributable to the Company as at 31 December 2024 of approximately HK$15,224.6 million.

(2) The revaluation gain is calculated based on the difference between (i) the total market value of the properties for sales and leasehold land and building of the Group as at 28 February 2025 of approximately HK$1,543.9 million as set out in the property valuation report prepared by C&W and Vincorn in Appendix II to this Scheme Document and (ii) the audited book value of the properties for sales and leasehold land and building measured at cost attributable to the Company as at 31 December 2024 of approximately HK$1,116.7 million.

(3) It represents the deferred tax on temporary differences between the market values of the Properties and the corresponding tax base used in computation of taxable profit, without considering the impact of other unrecognised temporary differences of the Group. Since all the revaluation deficit is attributed to property interests in the PRC, the Enterprise Income Tax of 25% is applied.

(4) Calculated based on 283,308,635 Shares in issue as at 31 December 2024.

4.2 Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Disinterested Scheme Shareholders during the Review Period.

Month	**Number of trading days**	**Average daily trading volume** *(number of Shares)*	**Approximate % of average daily trading volume to the total number of issued Shares**	**Approximate % of average daily trading volume to the total number of issued Shares held by the Disinterested Scheme Shareholders**
Pre-Announcement Period				
2024				
February	12	51,042	0.02%	0.07%
March	20	47,987	0.02%	0.07%
April	20	38,291	0.01%	0.05%
May	21	74,450	0.03%	0.10%
June	19	39,015	0.01%	0.06%
July	22	19,362	0.01%	0.03%
August	22	19,386	0.01%	0.03%
September	19	21,252	0.01%	0.03%
October	21	44,865	0.02%	0.06%
November	21	16,319	0.01%	0.02%
December	20	28,019	0.01%	0.04%
2025				
January	19	20,069	0.01%	0.03%
February(1)	10	41,429	0.01%	0.06%
Pre-Announcement Average		**34,715**	**0.01%**	**0.05%**
Post-Announcement Period				
March	16	693,070	0.24%	0.98%
April	16	437,271	0.15%	0.62%
Post-Announcement Average		565,171	0.20%	0.80%
Review Period				
Minimum		**16,319**	**0.01%**	**0.02%**
Maximum		**693,070**	**0.24%**	**0.98%**
Average		**95,775**	**0.04%**	**0.15%**

Source: Website of the Stock Exchange

Note:

(1) The Shares were suspended for trading from 2:52 p.m. on 14 February 2025 to 9:00 a.m. on 10 March 2025.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares; and (ii) the total number of Shares held by the Disinterested Scheme Shareholders, ranged from 0.01% to 0.24% and 0.02% to 0.98% respectively. The average daily trading volume of the Shares during the Pre-Announcement Period was approximately 34,715 Shares, representing 0.01% of the total number of issued Shares and 0.05% of the total number of Shares held by the Disinterested Scheme Shareholders.

We note that the trading volume of Shares increased substantially after the publication of the Announcement where during the first 3 days of the Post-Announcement Period (i.e. 10 March 2025 to 12 March 2025), the average daily trading volume of the Shares peaked at 2,391,147 Shares. This activity level remained elevated throughout the Post-Announcement Period, where the average daily trading volume of the Shares amounted to approximately 565,171 Shares, representing 0.20% of the total number of issued Shares and 0.80% of the total number of Shares held by the Disinterested Scheme Shareholders as at the Latest Practicable Date. It can be concluded that the presence of the Proposal has spurred significant trading activities in the Shares which otherwise had been generally illiquid during the Pre-Announcement Period.

In the absence of the Proposal, Disinterested Scheme Shareholders would only be able to dispose of their Shares on-market to realise their investment in the Company. Given the thin trading volume of Shares during the Pre-Announcement Period, Disinterested Scheme Shareholders may encounter difficulties in selling their Shares without impacting the market price. The liquidity of the Shares throughout most of the Pre-Announcement Period has been, in our assessment, generally thin. Furthermore, the increased turnover in March 2025 is primarily attributable to investors' positive expectations regarding the Proposal, activity and price that may not persist should the Proposal lapse. Disinterested Scheme Shareholders, particularly those with significant stakes, should be aware that exiting their investments in the Company on market might exert downward pressure on the Share price. Consequently, the Proposal offers an opportunity for Disinterested Scheme Shareholders, especially those with relatively sizeable shareholdings, to dispose of their Shares at a fixed price.

4.3 Comparables analysis

Comparables analysis involves determining the relative value of a company by comparing it to other companies in the similar industries and engaged in similar business.

To assess the fairness and reasonableness of the Total 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 P/B Ratio with those of listed entities on the Stock Exchange engaged in similar business activities and possess comparable size (the "**Comparable(s)**"). We have not applied another commonly employed parameter, being the price-to-earnings ratio (the "**P/E Ratio**") as the Company was loss making and three out of the four Comparables are also loss making, rendering this metric not applicable.

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

(i) A company whose shares are similarly listed on the Main Board of the Stock Exchange;

(ii) A company whose net asset value attributable to shareholders as of its latest published annual report is between HK$5 billion and HK$30 billion;

(iii) A company whose revenue principally comprises rental income from property leasing and investment properties in commercial, industrial, and retail units and are classified as reportable segments in the financial statements of their respective latest published interim/annual report (with average of the proportion of rental income revenue in each of the preceding three financial years being over two-thirds); and

(iv) A company who derives revenue from such businesses principally within Hong Kong (with average of the proportion of revenue from Hong Kong in each of the preceding three financial years being over two-thirds).

Based on the above criteria, we have identified an exhaustive list of four Comparables, being Melbourne Enterprises Limited, Tai Sang Land Development Limited, Associated International Hotels Limited, and Pioneer Global Group Limited.

Recognising that no company possesses an identical business model, scale of operation, trading prospects, target markets, product mix, and capital structure as the Company, and acknowledging that we have not conducted an in-depth investigation into the business and operations of the Comparables beyond the aforementioned selection criteria, we observe that the proportion of revenue or asset compositions between the property businesses of the Comparables may fluctuate annually and may not precisely match those of the Group. Nevertheless, we believe that the selected Comparables are suitable as benchmark references for our comparative analysis, reflecting the prevailing market sentiment towards this business sector and business models for companies similarly engaged in the property leasing business, and which are also listed on the same platform (i.e. Main Board of the Stock Exchange).

Our relevant findings are summarised in the following table:

Stock code	Company name	Principal business	Market capitalisation[1] (HK$'000)	Revenue[2] (HK$'000)	Net asset value/ Adjusted NAV[3] (HK$'000)	P/B Ratio[4]	Net gearing[5]
0158	Melbourne Enterprises Limited	Melbourne Enterprises Ltd is an investment holding company principally engaged in the property investment business. The Company principally invests in commercial properties to acquire rentals in Hong Kong. The properties under the company include Melbourne Plaza, Kimley Commercial Building and On Hing Mansion Shop 9B.	1,450,000	161,666	7,099,097	0.20	Net cash
0089	Tai Sang Land Development Limited	Tai Sang Land Development Ltd is a Hong Kong-based investment holding company principally engaged in property businesses. The company operates through four segments, being (i) property rental and investment business; (ii) property development, property management and other property related services; (iii) hotel operations; and (iv) catering services. The properties under the company include the Arca, the Figo, Gateway ts, and Floral Villas.	471,779	481,554	8,261,890	0.06	0.31
0105	Associated International Hotels Limited	Associate International Hotels Ltd is an investment holding company principally engaged in property-related businesses which mainly include the investment and leasing of commercial, office and industrial properties. The properties under the company include iSQUARE, Good Luck Industrial Building as well as the offices in Euro Trade Centre in Hong Kong.	1,821,600	292,143	7,275,431	0.25	Net cash
0224	Pioneer Global Group Limited	Pioneer Global Group Ltd is an investment holding company principally engaged in the investments in property and hotels for rental, and hotel operating business. It also conducts investments for dividends and interest income. The company operates businesses in both Hong Kong and overseas. The properties under the company include Pioneer Place, the Regent hotel, Club Lusitano building, and 68 Yee Wo Street Building in Hong Kong.	692,424	249,480	7,423,246	0.09	0.27
					Minimum	0.06	0.00
					Maximum	0.25	0.31
					Average	0.15	0.19
					Median	0.15	0.27
0878	The Company — Cancellation Price[5]		2,124,815	395,892	16,032,924	0.13	0.01
0878	The Company — Total Price[6]		2,408,123	395,892	16,032,924	0.15	0.01

Source: Website of the Stock Exchange

Notes:

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

(2) Revenue is extracted from the respective latest published annual results announcement/report prior to the Latest Practicable Date.

(3) Where applicable, the net asset value attributable to shareholders of the Comparables is extracted from the respective latest published annual/interim/quarterly results announcement/report prior to the Latest Practicable Date.

(4) P/B Ratio of the Comparables is calculated based on the respective market capitalisation as described in note 1 above and divided by the respective net asset value as described in note 3 above.

(5) Net gearing is calculated based on the respective net position of total borrowing and cash extracted from the respective latest published annual results announcement/report prior to the Latest Practicable Date, divided by the net asset value as described in note 3 above.

(6) The implied market capitalisation of the Company is calculated based on the Cancellation Price and 283,308,635 issued Shares. The implied P/B Ratio of the Company is calculated based on the implied market capitalisation, divided by the Group's Adjusted NAV as at 28 February 2025.

(7) The implied market capitalisation of the Company is calculated based on the Total Price and 283,308,635 issued Shares. The implied P/B Ratio of the Company is calculated based on the implied market capitalisation, divided by the Group's Adjusted NAV.

As shown in the table above and based on the implied market capitalisation derived using the Cancellation Price and the Total Price and comparing it to the Group's Adjusted NAV attributable to Shareholders, both the implied price-to-book ratios are approximately 0.13 times and 0.15 times. These fall within the P/B range of the Comparables and is similar to both the median and average P/B ratios of the selected Comparables.

We note that Melbourne Enterprises Limited and Associated International Hotels Limited exhibit higher P/B ratios compared to the Company's P/B ratios implied by the Cancellation Price and Total Price, while Tai Sang Land Development Limited and Pioneer Global Group Limited exhibit lower P/B ratios. This could be attributable to the difference in their respective net gearing ratios where Melbourne Enterprises and Associated International Hotels maintain net cash positions, whereas Tai Sang Land Development Limited and Pioneer Global Group Limited have relatively higher net gearing ratios.

We observe from the above that each of the Comparables trades at substantial discounts on a price-to-book basis, that being 0.06 to 0.25 times. This may be a reflection of the market's general negative perception towards Hong Kong's property sector and expectation that the sector may worsen in the future, necessitating downward valuations for the Comparables' property assets. As a reference, the Company has been recording multiple consecutive years of net fair value losses on its investment properties since FY2018 which has negatively impacted its net book value over time. Based on the above, it appears common for listed property companies to be traded at a discount to their net asset value in Hong Kong. For this reason, Hong Kong listed property companies' shares may continue to trade at discounts to their net asset value and it is also uncertain whether the valuations provided by the Property Valuation Reports can be realised if and when such properties are being disposed of in the property market.

Based on the above and cognizant of the phenomenon of steep discounts to book value which affects similar listed companies within this industry in general; from the perspective of market comparable analysis based on the commonly adopted valuation parameter, we are of the view that the Cancellation Price and the Total Price value the Company at a valuation which is fair and reasonable.

5. Privatisation precedents

The premiums of the Cancellation Price and Total Price over the closing price figures on the Benchmark Date and various periods are considerable, as disclosed above in the section headed "4. The Cancellation Price and Total Price". While we consider analysis of privatisation precedents less relevant for the reasons explained further below, for illustrative purposes and for the Disinterested Scheme Shareholders' reference only, we have set out our observations from the list of successful privatisation transactions which scheme documents were issued in 2024. The list is exhaustive based on these criteria.

	Date of scheme document/circular	Stock code	Company name	Premium represented by the cancellation/offer price over closing share price on the last full trading day as extracted from the respective scheme document/ circular
1.	23 January 2024	2698	Weiqiao Textile Company Limited	104.7%
2.	26 January 2024	1297	Sinosoft Technology Group Limited	29.4%
3.	23 February 2024	0416	Bank of Jinzhou Co., Ltd.	0.0%
4.	8 March 2024	3331	Vinda International Holdings Limited	13.5%
5.	27 March 2024	1839	CIMC Vehicles (Group) Co., Ltd.	16.5%
6.	28 March 2024	6819	Intellicentrics Global Holdings Ltd.	19.3%
7.	24 May 2024	6600	SciClone Pharmaceuticals (Holdings) Limited	33.9%
8.	28 June 2024	0638	Kin Yat Holdings Limited	33.3%
9.	2 July 2024.	0973	L'Occitane International S.A.	30.8%
10.	19 July 2024	0982	Huafa Property Services Group Company Limited	30.6%
11.	29 July 2024	0800	A8 New Media Group Limited	162.8%
12.	28 August 2024	0292	Asia Standard Hotel Group	52.8%
13.	4 October 2024	0531	Samson Holding Ltd.	77.8%
14.	25 October 2024	8609	Eggriculture Foods Ltd.	125.1%
15.	19 November 2024	2115	CM Hi-Tech Cleanroom Limited	25.0%
16.	16 December 2024	1329	Beijing Capital Grand Limited	46.6%
17.	20 December 2024	0668	Doyen International Holdings Limited	78.6%
			High end	162.8%
			Low end	0.0%
			Average	51.8%
			Median	33.3%
		0878	**The Company — Cancellation Price**	**43.7%**
		0878	**The Company — Total Price**	**62.8%**

Of the 22 successful privatisation transactions which scheme documents were issued in 2024 and up to the Last Trading Date, the premium of their cancellation prices over their last trading date prices had ranged from nil to 162.8% with an average of 51.8% and median of 33.3%. Only 5 out of the 22 transactions had relevant premiums which were higher than the 62.8% on the Benchmark Date above. As a result, the relevant premiums of the Cancellation Price and the Total Price fall around the average and exceeds the median of the privatisation precedents.

From our perspective, past privatisation transactions of companies listed on the Stock Exchange are however less of a reference for assessing the fairness and reasonableness of the Cancellation Price and the Total Price considering these companies are from different industries, which therefore have different market fundamentals and prospects compared to those faced by the Group at this moment. In addition, the fact that past privatisation transactions were conducted at periods of different economic, industry, and financial market cycles, and depending on the outlook at that point in time, will result in different considerations for their respective shareholders at that time. There are also variations in terms of scale of operations, financial performance and position, as well as trading prospects, and hence differences in risk premiums afforded by the market. Accordingly, we consider that the analysis in other sections in this letter to be more directly relevant for the Disinterested Scheme Shareholders to make an informed assessment on the fairness and reasonableness of the Cancellation Price and the Total Price.

RECOMMENDATIONS

In summary, in arriving at our view and recommendations in relation to the Proposal, we have considered the following factors and reasons:

a) Our analysis in the section headed "1.2 Historical financial performance of the Group" indicated that while property sales from property development activities had boosted overall revenue in FY2024, its major source of recurring income, being rental income, had been decreasing between FY2022 and FY2024. Moreover, real estate market weakness had resulted in continuous recognition of fair value losses on investment properties during this period. As a result, the Group has continued to record losses which had widened in FY2024.

b) As detailed in the section headed "1.4 Industry and outlook of the Group", various research houses hold a cautious view on the overall property industry in 2025 which may continue to weigh on the capital value of the Group's investment properties.

c) We have observed in the section headed "1.3 Dividends" that dividends have been paid consistently by the Group in the past five years. However, considering the Group's declining revenues and its capital expenditure and cash flow needs for various development projects in the pipeline, the stance adopted by the Company above will likely keep dividends at lower levels in the short-to-medium term until non-cash generating projects become cash-generating.

d) As detailed in the section headed "The Proposal", under the Proposal, the Company will declare a Special Dividend at HK$1.0 for each Share, subject to (i) the passing of an ordinary resolution at the SGM, and (ii) the Scheme having become binding and effective in accordance with its terms and conditions. Given that Ko Bee has irrevocably undertaken to vote in favour of approving the Special Dividend, the Special Dividend will be paid if the Scheme becomes binding and effective in accordance with its terms, the total amount the Disinterested Scheme Shareholders can expect to receive will be the Total Price of HK$8.50 per Scheme Share.

e) As detailed in the section headed "4.1 Historical price performance of the Shares", the Total Price represents substantial premiums over a range of various benchmarks, including 62.8% to the closing price as on the Benchmark Date, and 43.7% over the average of closing prices of the Shares during the Review Period.

f) As set out in the section headed "4.2 Trading liquidity of the Shares", the average daily trading volume of the Shares during the Pre-Announcement Period of approximately 34,715 Shares, representing 0.01% over the total number of issued Shares and 0.05% of the total number of Shares held by the Disinterested Scheme Shareholders. Given the thin trading volume of the Shares during the Pre-Announcement Period, Disinterested Scheme Shareholders may encounter difficulties in selling their Shares without impacting the market price.

g) The comparable analysis as detailed in the section headed "4.3 Comparable analysis" shows that the Company's implied price-to-book ratios based on the Cancellation Price and the Total Price are similar to both the median and average P/B ratios of the selected Comparables.

Considering the factors above and in the absence of any alternative offer or proposal that may be of better terms, the Proposal presents an opportunity for Disinterested Scheme Shareholders to exit their investments in the Company amidst a period of uncertainties affecting the Group's property business and possibly reallocate their investment in the Company towards other investments that they may consider more attractive in terms of outlook and potential dividend payout.

As such, we (i) are of the opinion that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) recommend the Independent Board Committee to advise the Disinterested Scheme Shareholders to vote in favour of (a) the Scheme at the Court Meeting; (b) the resolutions necessary to implement the Proposal at the SGM; and (c) the Special Dividend at the SGM.

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Scheme Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and behalf of
Altus Capital Limited

Arnold Ip
Responsible Officer

Chang Sean Pey
Responsible Officer

*Mr. Arnold Ip ("**Mr. Ip**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 30 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

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