

20 December 2024

To the Independent Board Committee and the Independent Scheme Shareholders

Dear Sirs or Madams,

**(1) PROPOSAL FOR THE PRIVATISATION OF
DOYEN INTERNATIONAL HOLDINGS LIMITED
BY GALAXY BOND HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
DOYEN INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the scheme document jointly issued by the Offeror and the Company dated 20 December 2024 (the “**Scheme Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

Reference is made to the Announcement. On 23 August 2024, the Offeror requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance, involving the cancellation and extinguishment of 1,166,038,550 Scheme Shares in issue, out of which (i) the MS Scheme Shares (i.e. 785,373,018 Shares) are to be cancelled and extinguished in consideration for the partial settlement of the Debt in the sum of HK\$274,880,556.30 equivalent to the Cancellation Price of HK\$0.350 per MS Scheme Share pursuant to the Settlement Agreement; and (ii) the Remaining Scheme Shares (i.e. 380,665,532 Shares) are to be cancelled and extinguished in consideration for the Cancellation Price of HK\$0.350 in cash per Remaining Scheme Share. The total amount of cash required to implement the Proposal in full would be HK\$133,232,936.20.

The Independent Board Committee, comprising (a) Mr. Pan Chuan (non-executive Director); (b) Ms. Sun Lin (non-executive Director); (c) Mr. Chan Ying Kay (independent non-executive Director); (d) Mr. Leung Kin Hong (independent non-executive Director); and (e) Mr. Wang Jin Ling (independent non-executive Director), has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders as to: (i) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Scheme Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company and the Offeror that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. We are not associated or connected with the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. In the last two years, we have not acted as an independent financial adviser or a financial adviser to the Company or the Offeror. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, which is not conditional upon passing of the resolutions to be proposed at the Court Meeting and the EGM, no arrangement exist whereby we have received or will receive any fees or benefits from the Company, the Offeror or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Proposal and the Scheme.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have reviewed, among other things, (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (iv) the audited statements of profit or loss of the Company for the two years ended 31 December 2023, the unaudited statements of profit or loss of the Company for the six months ended 30 June 2023 and 2024, the audited statements of financial position of the Company as at 31 December 2022 and 2023, and the unaudited statements of financial position of the Company as at 30 June 2024; (v) the independent valuation report (the “**Valuation Report**”) regarding the market value of property interests of the Group located in the PRC (the “**Properties**”) as conducted by HG Appraisal and Consulting Limited (the “**Valuer**”) as at 30 September 2024 (the “**Valuation Date**”) as set out in Appendix II to the Scheme Document; and (vi) other information contained in the Scheme Document.

We have relied on (i) the information and facts contained or referred to in the Scheme Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management, for which they are solely and wholly responsible for, or

contained or referred to in the Scheme Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Scheme Document were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management and/or the advisers of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Scheme Document and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. Shareholders will be informed of any material changes to such representations and/or our opinion as soon as possible until the Scheme becomes effective or the Proposal lapses in compliance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Offeror or any of their respective subsidiaries or associates or any party acting, or presumed to be acting, in concert with any of them.

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

PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME

Set out below are the terms of the Proposal and the Scheme, details of which are set out in the Letter from the Board and the Explanatory Statement. The Independent Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.

1. Terms of the Proposal

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date in exchange for the Cancellation Price of HK\$0.350 in cash for each Scheme Share cancelled and extinguished (pursuant to the MS Irrevocable Undertakings, each of the MS Shareholders has undertaken that (i) upon the Scheme being effective; and (ii) if the Offeror decides to set-off the Debt on a dollar-for-dollar basis with the sum equivalent to the Cancellation Price of HK\$0.350 for each MS Scheme Share cancelled and extinguished, each of the MS Shareholders shall agree to such alternative arrangement. Galaxy Bond (i.e. the Offeror) subsequently confirmed its intention to set-off the Debt);
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;
- (c) the Company will be owned as to 100.00% by Galaxy Bond and Mr. Xue in aggregate; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Remaining Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) following the Effective Date. Upon the Scheme becoming effective, with respect to the MS Shareholders, the Offeror will set-off the Debt on a dollar-for-dollar basis with the sum equivalent to the Cancellation Price of HK\$0.350 for each MS Scheme Share as soon as possible but in any event within seven (7) Business Days following the Effective Date.

2. Cancellation Price

Under the Scheme, the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.350 in cash for each Scheme Share cancelled and extinguished (save that pursuant to the MS Irrevocable Undertakings and Galaxy Bond's subsequent confirmation, upon the Scheme being effective, the Offeror will set-off the Debt on a dollar-for-dollar basis with the sum equivalent to the Cancellation Price of HK\$0.350 for each MS Scheme Share cancelled and extinguished).

If (a) after the Latest Practicable Date, any dividend, distribution and/or return of capital is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

As at the Latest Practicable Date, (i) the Company had not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) the Company did not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Effective Date, or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be).

As disclosed in the Letter from the Board, the Cancellation Price has been determined on an arm's length commercial basis after taking into account, among other things, the recent and historical trading prices of the Shares, the publicly available financial information of the Group with reference to other privatisation transactions in Hong Kong in recent years.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

3. Conditions of the Proposal and the Scheme

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions. Details of the Conditions are set out in the section headed "Conditions of the Proposal" in the Explanatory Statement. Main Conditions include, among others:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by the Scheme Shareholders representing at least 75% of the voting rights of the Independent Scheme Shareholders present and voting, in person or by proxy, at the Court Meeting; and the votes cast (by way of a poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all the Disinterested Shares, provided that:
 - (i) the Scheme is approved at the Court Meeting (by way of a poll) by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares;
- (b) the passing by the Shareholders at the EGM of:

- (i) a special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and
 - (ii) an ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished;
- (c) the sanction by the Court of the Scheme (with or without modification) under section 673 of the Companies Ordinance, the confirmation by the Court of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance, and the registration of a copy of the order of the Court by the Registrar of Companies under the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231, and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively;
- (e) all the Approvals having been obtained, completed and/or made and remaining in full force and effect without modification or variation;
- (f) all the Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory and administrative requirements which are expressly provided for, in the Applicable Laws in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions);

- (h) since the date of the Announcement, there not having been instituted or remaining outstanding any litigation, arbitration proceeding, prosecution or other legal proceeding to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no litigation, arbitration proceeding, prosecution or other legal proceeding having been threatened in writing against any member of the Group (and no investigation by any Authority in any jurisdiction against or in respect of any member of the Group or the business carried on by any member of the Group having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Group), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal or the Scheme;
- (i) since the date of the Announcement, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme);
- (j) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
 - (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme; and
- (k) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions set out in paragraphs (a) to (d) above are not waivable by the Offeror or the Company.

The Offeror reserves the right to waive, in whole or in part and generally or in respect of any particular matter:

- (i) all or any of the Conditions set out in paragraphs (e) to (h) above to the extent that any such waiver would not render the Proposal or the implementation of the Proposal in accordance with its terms and conditions illegal; and
- (ii) all or any of the Conditions set out in paragraphs (i) to (k) above.

The Company does not have the right to waive any of the Conditions set out in paragraphs (a) to (k) above.

All of the Conditions set out in paragraphs (a) to (k) must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

In respect of the Condition set out in paragraph (e) above, other than those specifically set out as Conditions above and the application for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, as at the Latest Practicable Date, each of the Offeror and the Company is not aware of any Approvals which may be required to be obtained for or in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions.

The Condition set out in paragraph (a) above takes into account the requirements under sections 673 and 674 of the Companies Ordinance and the requirements under Rule 2.10 of the Takeovers Code.

Under sections 673 and 674 of the Companies Ordinance, the Scheme will, subject to the sanction of the Court, be binding on the Company and all the Scheme Shareholders if:

- (a) the Scheme is approved at the Court Meeting by the Scheme Shareholders representing at least 75% of the voting rights of the Scheme Shareholders present and voting, in person or by proxy, at the Court Meeting; and
- (b) the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all the Disinterested Shares.

Under Rule 2.10 of the Takeovers Code, the Scheme may only be implemented if, in addition to satisfying the voting requirements under section 674(2) of the Companies Ordinance:

- (a) the Scheme is approved at the Court Meeting by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and

- (b) the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (where applicable).

If approved, the Scheme will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

I. Background information of the Group

1.1 Principal businesses and information of the Group

The Company and its subsidiaries are principally engaged in investment property holding in the PRC, provision of financing to customers in the PRC and Hong Kong, investment holding, sales of flowers and plants and distressed assets management.

1.2 Historical financial information

The following is a summary of certain financial information of the Group for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report, respectively.

Summary of consolidated statement of profit or loss of the Group

	Year ended 31 December		Six months ended	
	2022	2023	30 June	
	HK\$'000	HK\$'000	2023	2024
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
– Provision of loan financing	58,436	50,497	27,410	27,840
– Sales of flowers and plants	38,963	6,331	1,243	1,527
– Investment properties holding	9,721	15,754	6,420	8,183
Total revenue	107,120	72,582	35,073	37,550
Profit/(loss) for the year/period attributable to the Shareholders	(17,317)	13,286	6,980	10,698

Summary of consolidated statement of financial position of the Group

	As at 31 December		As at
	2022	2023	30 June
	HK\$'000	HK\$'000	2024
	(audited)	(audited)	(unaudited)
Non-current assets	316,722	324,472	318,744
Current assets	687,809	678,099	669,428
Total assets	1,004,531	1,002,571	988,172
Current liabilities	59,931	59,290	64,447
Non-current liabilities	4,047	5,412	5,416
Total liabilities	63,978	64,702	69,863
Net assets	940,553	937,869	918,309

Summary of statement of profit or loss of the Company

	Year ended 31 December		Six months ended	
	2022	2023	30 June	
	HK\$'000	HK\$'000	2023	2024
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	–	–	–	–
Profit/(loss) for the year/period	164	(25,355)	(2,140)	(4,982)

Summary of statement of financial position of the Company

	As at 31 December		As at 30 June
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Non-current assets	308,602	307,471	306,905
Current assets	267,827	239,760	229,865
Total assets	576,429	547,231	536,770
Non-current liabilities	195,239	192,075	–
Current liabilities	1,443	764	187,360
Total liabilities	196,682	192,839	187,360
Net assets	379,747	354,392	349,410

For the year ended 31 December 2022 and 2023

Total revenue of the Group decreased from approximately HK\$107.1 million for the year ended 31 December 2022 to approximately HK\$72.6 million for the year ended 31 December 2023. As disclosed in the 2023 Annual Report, such decrease was mainly attributable to the decrease in revenue generated from the sales of flowers and plants during the year as a result of the downturn in the real estate sector of the PRC, which in turn led to the decrease in demand for landscape greening and the floral market.

The Group's loss attributable to the Shareholders turned around from a loss of approximately HK\$17.3 million for the year ended 31 December 2022 to a profit of approximately HK\$13.3 million for the year ended 31 December 2023. As disclosed in the 2023 Annual Report, such increase was primarily due to (i) the assessed fair value gains on investment properties of approximately HK\$4.8 million as compared to the fair value losses of approximately HK\$31.4 million for the previous year; and (ii) the net reversal of impairment losses on loan receivables of approximately HK\$6.7 million.

As at 31 December 2023, the Group recorded net assets of approximately HK\$937.9 million. As at 31 December 2023, the Group's total assets amounted to approximately HK\$1,002.6 million, which mainly include, among others, (i) loan receivables of approximately HK\$495.5 million; (ii) investment properties of approximately HK\$295.7 million; and (iii) bank and cash balances of approximately HK\$159.5 million. As at 31 December 2023, the Group's total liabilities amounted to approximately HK\$64.7 million, which mainly include, among others, (i) current tax liabilities of approximately HK\$32.2 million; and (ii) accruals and other payables of approximately HK\$23.9 million.

For the six months ended 30 June 2023 and 2024

Total revenue of the Group increased from approximately HK\$35.1 million for the six months ended 30 June 2023 to approximately HK\$37.6 million for the six months ended 30 June 2024, mainly attributable to the increase in rental income generated from the investment properties of the Group.

The Group's profit attributable to the Shareholders increased from approximately HK\$7.0 million for the six months ended 30 June 2023 to approximately HK\$10.7 million for the six months ended 30 June 2024. As disclosed in the 2024 Interim Report, such increase was mainly attributable to the positive impact of foreign exchange.

As at 30 June 2024, the Group recorded net assets of approximately HK\$918.3 million. As at 30 June 2024, the Group's total assets amounted to approximately HK\$988.2 million, which mainly include, among others, (i) loan receivables of approximately HK\$501.2 million; (ii) investment properties of approximately HK\$288.7 million; and (iii) bank and cash balances of approximately HK\$144.1 million. As at 30 June 2024, the Group's total liabilities amounted to approximately HK\$69.9 million, which mainly include, among others, (i) current tax liabilities of approximately HK\$37.2 million; and (ii) accruals and other payables of approximately HK\$25.4 million.

Based on our review on (i) the audited consolidated statements of profit or loss of the Group for the two years ended 31 December 2023; (ii) the unaudited consolidated statements of profit or loss of the Group for the six months ended 30 June 2023 and 2024; (iii) the audited consolidated statements of financial position of the Group as at 31 December 2022 and 2023; (iv) the unaudited consolidated statements of financial position of the Group as at 30 June 2024; (v) the audited statements of profit or loss of the Company for the two years ended 31 December 2023; (vi) the unaudited statements of profit or loss of the Company for the six months ended 30 June 2023 and 2024; (vii) the audited statements of financial position of the Company as at 31 December 2022 and 2023; and (viii) the unaudited statements of financial position of the Company as at 30 June 2024, we noted that the recent business performance of the Group has been deteriorating, mainly attributable to the challenges faced in the sales of flowers and plants business and the provision of loan financing business in the PRC. Details of which are set out in the section headed "1.3 Prospect of the Group" below.

1.3 Prospect of the Group

We noted from the 2023 Annual Report and the 2024 Interim Report that the Group is principally engaged in investment property holding in the PRC, provision of financing to customers in the PRC and Hong Kong, investment holding, sales of flowers and plants and distressed assets management. Based on our discussion with the Management, we were given to understand that the business performance of the Group

has been affected by the challenges faced by the PRC economy, including the weak market sentiment and the prolonged downturn of the real estate sector, which may have aroused uncertainty in the prospect of the Group.

The deteriorating performance of the Group's sales of flowers and plants business

According to the 2023 Annual Report and the 2024 Interim Report, we noted that the revenue generated from the sales of flowers and plants business, which has been one of the major revenue-generating segments of the Group, has decreased by more than 80% for the year ended 31 December 2023. Based on our discussion with the Management, we were given to understand that since December 2019, the Group has managed its property value-added business with a focus on the sales of flowers and plants. As such, the Group's sales of flowers and plants business is closely related to the performance of the real estate market in the PRC. As the real estate market in Chongqing was still in an adjustment cycle with downward pressure on housing prices, the downturn of the property market has suppressed the market demand for landscape greening and the floral market, and thus significantly affected the Group's revenue from the sales of flowers and plants.

Despite the continuous implementation of the real estate support policies to stimulate market activity and to promote the steady and healthy development of the real estate market by relevant government authorities in Chongqing in 2024, including (i) "Decisions by the Chongqing Municipal People's Government on Amending 'Interim Measures on Carrying Out the Pilot Reform of the Real Estate Tax Collection on Some Individual Housing in Chongqing' (《重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法》)" and 'Implementation Rules for the Collection and Administration of Individual Housing Property Tax in Chongqing' (《重慶市個人住房房產稅徵收管理實施細則》)" promulgated by the Chongqing Municipal Government; (ii) the "Notice on Further Adjusting and Optimizing Real Estate Policies and Measures (《關於進一步調整優化房地產政策措施的通知》)" issued by the Chongqing Municipal Housing and Urban-Rural Development Commission (重慶市住房城鄉建委); (iii) the "Notice on Supporting the Demand for Rigid and Improved Housing Purchases (《關於支持剛性和改善性購房需求的通知》)" issued by the Office of the Chongqing Municipal Leading Group for Promoting the Stable and Healthy Development of the Real Estate Market; and (iv) the "Chongqing 2024 Housing Development Plan (重慶市2024年度住房發展計劃)" issued by the Chongqing Municipal Housing and Urban-Rural Development Commission, the policy effects may require additional time to gradually take shape. For the six months ended 30 June 2024, the Group's revenue from the sales of flowers and plants business has remained at a minimal level of approximately HK\$1.5 million.

The continuous uncertainty in the macroeconomic environment and market competition regarding loan financing and factoring business in the PRC

As discussed with the Management, we were given to understand that the number of companies engaged in the financial leasing industry and the balance of the financial leasing business decreased in 2023, primarily attributable to the impact of the changes in the macroeconomic environment in the PRC.

For due diligence purpose, we have conducted desktop research on the loan financing and leasing industry in the PRC and made reference to the PRC Leasing Industry Development Report* (中國租賃業發展報告) jointly published by the PRC Leasing Union* (中國租賃聯盟), Institute of Contemporary China Studies of Nankai University* (南開大學當代中國問題研究院) and Joint Research Institute of Leasing* (租賃聯合研究院) in April 2024 (the “2024 Development Report”). We noted that the PRC Leasing Union is a well-recognised organisation established in the PRC since 2006, which conducts and publishes research results with other professional bodies in relation to the loan financing and leasing market in the PRC from time to time. We also noted that their research reports are commonly made reference by the companies listed on the Stock Exchange which are principally engaged in loan financing business in the PRC. As such, we consider it is reasonable to make reference to the relevant data contained in the 2024 Development Report for the understanding of industry environment and prospect of the loan financing and leasing market in the PRC.

Based on the 2024 Development Report, the balance of finance leasing contracts nationwide amounted to approximately RMB5,640 billion at the end of 2023, representing a decrease of approximately RMB210 billion from approximately RMB5,850 billion at the end of 2022. The number of companies engaged in the financial leasing industry has reduced to approximately 8,800 as at the end of 2023, representing a decrease of approximately 27% as compared to the peak number of industry participants of approximately 12,000 since the end of 2019.

Based on the 2023 Annual Report, in view of the continuous slump of the financial leasing market, the Management intended to reduce the Group’s risk in its finance leasing business and to reallocate its resources to the factoring business, which has relatively shorter life cycle and lower risks to cope with the uncertain economic environment. According to the PRC Trade Finance Industry Development Report* (中國貿易金融行業發展報告) published by the PRC Banking Association* (中國銀行業協會) in July 2024 (source: the website of the PRC Banking Association (<https://www.china-cba.net/>)), the domestic factoring and international factoring business have achieved rapid growth rates of approximately 34.7% and 16.7%, respectively, for 2023. Notwithstanding the market growth in the factoring business in the PRC, we were given to understand from the Management that the business performance of the Group is susceptible to the intense competition, which the market is largely influenced by state-owned enterprises and financial conglomerates, and stringent industry policies and regulations in the PRC. The Group’s revenue generated from the provision of loan

financing, which include the provision of secured loan financing, short-term loan business, factoring and refactoring business, amounted to (i) approximately HK\$50.5 million for the year ended 31 December 2023, represented a decrease of approximately 13.6% as compared to that of the previous year; and (ii) approximately RMB27.8 million for the six months ended 30 June 2024, represented a slight increase of approximately 1.6% as compared to that of the corresponding period in the previous year. As discussed with the Management and based on the customer portfolio maintained by the Group for its loan financing and factoring business, we noted that majority of the revenue generated from the segment was concentrated in a relatively small clientele base in the recent years.

Based on the abovementioned independent market research and performance analysis, having considered (i) uncertainty in the macroeconomic environment in the PRC; (ii) the relatively sluggish business growth of the Group as compared to the rapid market growth of the overall factoring market; and (iii) the relatively limited clientele maintained by the Group for its loan financing and factoring business, we consider that there remains uncertainty in the prospect of the Group's loan financing and factoring business.

The challenging business environment of the property leasing market in the PRC

We noted from the 2024 Interim Report that in the first half of 2024, despite the consumer market in the PRC as a whole maintained a stable growth trend, the property leasing market in the PRC has been impacted by the continued weakness of the real estate market, mainly attributable to the employment situation, consumer confidence and purchase power.

For due diligence purpose, we have conducted desktop research on the property leasing industry in the PRC and made reference to the Greater China Property Summary for the Second Quarter of Year 2024* (二零二四年第二季度大中華區物業摘要), Greater China Property Summary for the First Quarter of Year 2024* (二零二四年第一季度大中華區物業摘要), Greater China Property Summary for the Fourth Quarter of Year 2023* (二零二三年第四季度大中華區物業摘要) and the Greater China Property Summary for the Third Quarter of Year 2023* (二零二三年第三季度大中華區物業摘要), which contained data in relation to PRC properties for the recent four quarters (collectively, the "Greater China Property Summaries"), published by the Greater China Research Division of Jones Lang LaSalle IP, Inc. ("JLL") for relevant industry data (source: the website of JLL (<https://www.joneslanglasalle.com.cn/>)). JLL is a company listed on the New York Stock Exchange, which is principally engaged in the provision of real estate services with a well-established operating history of over 20 years. We noted that the Greater China Research Division of JLL publishes research reports in relation to the property markets in the PRC from time to time. Considering the abovementioned, we consider it is reasonable to make reference to the relevant data contained in the Greater China Property Summaries for the understanding of industry environment and prospect of the property leasing market in the PRC.

As the Properties are commercial buildings and office situated in Chongqing and Chengdu in the PRC, respectively, we have studied the property leasing data in relation to the commercial properties in Chongqing and offices in Chengdu contained in the Greater China Property Summaries for the recent four quarters.

In respect of the leasing market of retail properties in Chongqing, we noted that (i) for the third quarter of 2023, whilst the overall vacancy rate has slightly decreased by approximately 0.4% to approximately 15.6%, the average rent has decreased by approximately 1.8% as compared to the corresponding period in the previous year; (ii) for the fourth quarter of 2023, whilst the overall vacancy rate has slightly decreased by approximately 0.9% to approximately 15.2%, the average rent has decreased by approximately 1.8% as compared to that of the corresponding period in the previous year; (iii) for the first quarter of 2024, whilst the overall vacancy rate has remained relatively stable, the average rent has decreased by approximately 1.4%, as compared to that of the corresponding period in the previous year; and (iv) for the second quarter of 2024, whilst the overall vacancy rate has decreased to approximately 13.9%, the average rent has continued to decrease by approximately 2.0% as compared to that of the corresponding period in the previous year. Based on the above, despite the overall vacancy rate has remained relatively stable, a persistent drop in average rent of retail properties in Chongqing has been noted since the third quarter of year 2023. It is expected that the leasing market for retail properties in Chongqing will remain challenging in the near future.

In respect of the leasing market of properties for office use in Chengdu, we noted that (i) for the third quarter of 2023, the overall vacancy rate has reached approximately 30.9% and the average rent has decreased by approximately 5.5% as compared to the corresponding period in the previous year; (ii) for the fourth quarter of 2023, whilst the overall vacancy rate has slightly decreased to approximately 30.6%, the average rent has decreased by approximately 6.6% as compared to the corresponding period in the previous year; (iii) for the first quarter of 2024, whilst the overall vacancy rate has remained relatively stable at approximately 30.5%, the average rent has decreased by approximately 8.2% as compared to the corresponding period in the previous year; and (iv) for the second quarter of 2024, whilst the overall vacancy rate has decreased to approximately 29.6%, the average rent has continued to decrease by approximately 9.1% as compared to the corresponding period in the previous year. Based on the above, a relatively high overall vacancy rate and a persistent drop in average rent of properties for office use in Chengdu have been noted since the third quarter of year 2023. It is expected that the leasing market for offices in Chengdu will remain challenging in the near future.

Notwithstanding the increase in the Group's revenue generated from the investment properties holding segment for the year ended 31 December 2023 and the six months ended 30 June 2024, considering the abovementioned and our discussion with the Management, we were given to understand that there are no

immediate factors or concrete plans which may suggest that the Group will be able to achieve a viable and sustainable growth in the foreseeable future under the prolonged deteriorating property leasing market in the PRC.

Taking into consideration (i) of the deteriorating performance in the Group's sales of flowers and plants business for the year ended 31 December 2023 and the six months ended 30 June 2024; (ii) that the prospect and macroeconomic environment remain generally uncertain and challenging for the Group's provision of loan financing business in the foreseeable future; (iii) of the sluggish performance of the retail and office properties market in Chongqing and Chengdu during the latest four quarters and the lack of observable factor which may suggest that they will have breakthrough or significant growth in the near future; and (iv) of the other analysis in respect of the terms and conditions of the Proposal and the Scheme as further discussed in this letter below, we considered that the Proposal and the Scheme represented an opportunity for the Scheme Shareholders to exit and realise their investments in the Group.

1.4 Assessment of the Valuation Report

In arriving our recommendation on the Proposal, we have reviewed the Valuation Report. Details of which are set out in Appendix II to the Scheme Document. We have conducted interview with the Valuer and understood the relevant staff members, including Mr. Raymond Ho Kai Kwong, the managing director and responsible person of the Valuer and his working team, as to their expertise, independence and details in relation to the Valuation Report, particularly (i) the Valuer's terms of engagement with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer in performing the valuation.

From our review of the engagement letter between the Company and the Valuer, we are satisfied that the terms of engagement between the Company and the Valuer are appropriate to form the opinion the Valuer is required to be given, with no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer. Furthermore, as advised by the Valuer, the Company and the Offeror have not made any formal or informal representations to the Valuer that contravenes with their understanding and assessment on the relevant material information as set out in the Valuation Report. Based on the engagement letter and other relevant information provided by the Valuer, we noted that the Valuer is a qualified asset appraisal firm which provides valuation services. We understand that Mr. Raymond Ho Kai Kwong is a chartered and registered professional surveyor of The Hong Kong Institute of surveyors and The Royal Institution of Chartered surveyors, who has over 33 years' experience in undertaking valuations of properties in Hong Kong and has over 28 years' experiences in valuations of properties in the PRC. We have also obtained information on the track records of the Valuer on other asset valuations and noted that it has experience in the provision of a wide range of valuation services to numerous companies listed on the Stock Exchange.

In addition, we have enquired with and the Valuer has confirmed that it is independent from the Group, the Offeror and their respective connected persons and any parties acting in concert with any of them as at the Latest Practicable Date. The Valuer also confirmed that they were not aware of any relationships or interest between itself and the Group, the Offeror or any other parties that could reasonably be regarded as relevant to its independence to act as the independent valuer of the Company. The Valuer also confirmed that apart from normal professional fees paid or payable to them in connection with its appointment as the Valuer, no arrangements exist whereby it has received or will receive any fees or benefits from the Group, the Offeror or any other party to the transactions.

We noted that the Valuer mainly carried out its due diligence with the Management and conducted its own proprietary research and has relied on public information obtained through its own research as well as the information provided by the Management. We were advised by the Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification.

Furthermore, we have reviewed the Valuation Report and discussed with the Valuers regarding the methodologies, bases and assumptions adopted in arriving at the appraised value of the Properties as at the Valuation Date. With reference to the Valuation Report, the Properties consist of two properties located in Chongqing and Chengdu in the PRC. As discussed with the Valuers, we were given to understand that the income capitalisation approach is a commonly acceptable and adopted valuation approach for revenue generating properties when rental comparable transactions are available in the market. Therefore, the Valuer considers that it is more feasible to adopt income capitalisation method. According to the HKIS Valuation Standards 2020 Edition published by The Hong Kong Institute of Surveyors, we noted that (i) the market approach requires a comparison with market transactions in the same, or closely similar, type of asset within an appropriate time horizon; (ii) the cost approach is based on the economic principle that a purchaser will purchase an asset for no more than the cost of the asset; and (iii) the income approach is based on capitalisation or conversion of present and predicted income, which may take a number of different forms, to produce a single current capital value. Among the forms taken, capitalisation of a conventional market-based income or discounting of a specific income projection can both be considered appropriate depending on the type of asset and whether such an approach would be adopted by market participants. Due to the fact that the Group has been holding the Properties solely for the purpose of generating rental income, we are of the view that it is appropriate for the Valuation to be conducted under the income capitalisation approach. Further, we have reviewed the bases and assumptions adopted in the Valuation Report under the income capitalisation approach, and considered that similar sets of bases and assumptions were commonly adopted in valuations of comparable properties which principally generate revenue from rental income in the market.

As stated in the Valuation Report, the valuation has been prepared in accordance with the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors, the requirements set out in Chapter 5 of and Practice Note 12 to the Listing Rules and Rule 11 of the Takeovers Code. The Valuer confirmed that it has performed inspection to the Properties.

Based on the abovementioned, we consider that the methodology, basis and assumptions adopted by the Valuer for the valuation of the Properties are appropriate. According to the Valuation Report, the appraised value of the Properties amounted to approximately RMB259.3 million (equivalent to approximately HK\$285.3 million) as at the Valuation Date. With reference to the Scheme Document, considering (i) the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$737.9 million as at 30 June 2024; and (ii) adjustments made for the fair value loss attributable to the Shareholders arising from the valuation of the Properties as at 30 September 2024 of approximately HK\$7.1 million, the adjusted unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 (the "Adjusted NAV") amounted to approximately HK\$735.5 million, with the Adjusted NAV per Share amounted to approximately HK\$0.577.

2. Information on the Offeror and their intentions in respect of the Group

Information on the Offeror and Mr. Xue

Galaxy Bond is a company incorporated in the British Virgin Islands with limited liability in February 2010. As at the Latest Practicable Date, Galaxy Bond is wholly-owned by Mr. Xue. Galaxy Bond is an investment holding company.

Mr. Xue, aged 48, graduated from the Beijing Sport University (北京體育大學). Mr. Xue is the chairman, director and holder of 60% equity interests in Chongqing Hedong Holding (Group) Co., Ltd.* (重慶河東控股(集團)有限公司), a company established in the PRC with a registered capital of RMB150 million, which is principally engaged in steel trade, commercial real estate operations, intelligent protection technology (智能防護科技) and corporate risk management.

As at the Latest Practicable Date, Galaxy Bond has security interests over 785,373,018 Shares (i.e. the MS Scheme Shares). The MS Scheme Shares are beneficially held by the MS Shareholders (i.e. Money Success, Full Brilliant, Sino Consult and Mr. Lo and Ms. Chiu (each being one of the Offeror Concert Parties)). Pursuant to the MS Irrevocable Undertakings, each of the MS Shareholders has undertaken that (i) upon the Scheme being effective; and (ii) if the Offeror decides to set-off the Debt on a dollar-for-dollar basis with the sum equivalent to the Cancellation Price of HK\$0.350 for each MS Scheme Share cancelled and extinguished, each of the MS Shareholders shall agree to such alternative arrangement. Galaxy Bond (i.e. the Offeror) subsequently confirmed its intention to set-off the Debt.

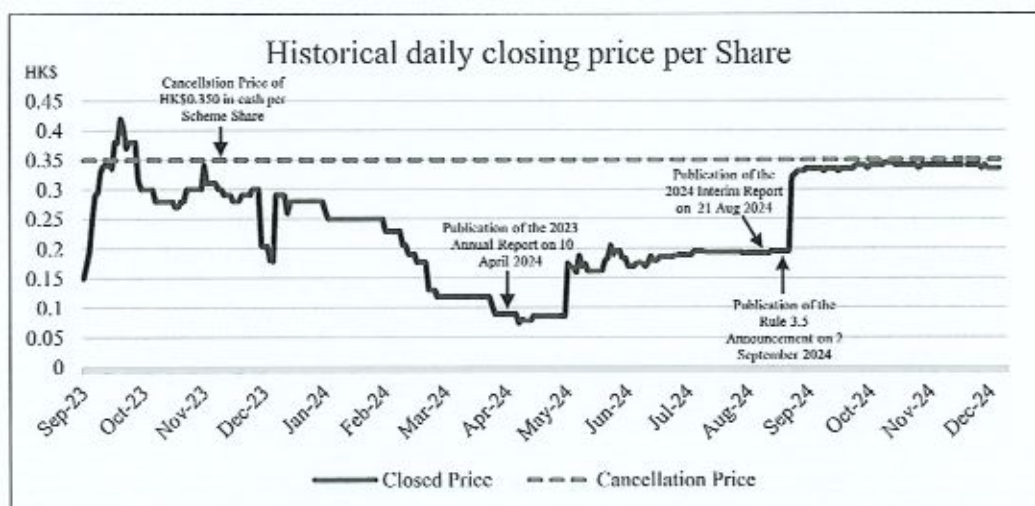
Intentions of the Offeror in respect of the Group

As disclosed in the Explanatory Statement, as at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue to carry on its existing business and the Offeror does not have any immediate plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

3. Analysis of price performance of the Shares

3.1 *Historical price performance of the Shares*

The chart below illustrates the daily closing price per Share as quoted on the Stock Exchange during the period from 3 September 2023 (being approximately one year prior to the date of the Announcement) up to and including the Latest Practicable Date (the "Review Period"), against the illustrative Cancellation Price of HK\$0.350 per Scheme Share. We consider that the Review Period of approximately one year prior to the date of the Announcement up to and including the Latest Practicable Date to be reasonable, sufficient and representative to illustrate a holistic view of the general performance of the recent Share prices, where the prevailing market sentiment can be reflected by such Share price movements and provide a meaningful comparison with the Cancellation Price.



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

It is noted that, during the Review Period, (i) the daily closing price per Share ranged from HK\$0.074 to HK\$0.42, with an average closing price of approximately HK\$0.241; and (ii) 310 trading days out of 318 trading days exhibited a closing price per Share below the Cancellation Price of HK\$0.350 per Scheme Share.

Since the beginning of the Review Period, closing price of the Shares had been trending upward and reached its peak being HK\$0.42 per Share on 22 September 2023. Thereafter, closing price of the Shares had been fluctuating downward until 17 April 2024 to the lowest of HK\$0.074 per Share. We did not notice any notable event which might have caused the spike and plummet in the closing price of the Shares. We have discussed with the Management and were given to understand that they are not aware of any specific reasons or events which have led to the aforementioned movements of the closing price of the Shares. Subsequently, the closing price of the Shares surged to HK\$0.175 per share on 13 May 2024 and then been generally oscillating between HK\$0.162 per Share and HK\$0.205 per Share towards 23 August 2024, being the Last Trading Day. Immediately following the publication of the Announcement on 2 September 2024 and the resumption of trading in the Shares on 3 September 2024, closing price of the Shares surged to HK\$0.320 per Share, representing an increase of approximately 63.3% as compared to the closing price of Shares of HK\$0.196 on the Last Trading Day.

Since then and up to the Latest Practicable Date, the Shares closed between HK\$0.325 and HK\$0.345 per Share, suggesting that the closing price of Shares is being principally determined by the Cancellation Price. The closing price of the Shares was HK\$0.335 as at the Latest Practicable Date. The Cancellation Price of HK\$0.350 per Scheme Share represents a premium of approximately 4.48% over the closing price of Shares on the Latest Practicable Date. However, the Shareholders should be aware that the Share price may not be maintained if the Proposal is not approved or otherwise lapses.

3.2 Trading liquidity

The table below sets out (i) the average daily trading volume of the Shares; (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares; and (iii) the percentage of the average daily trading volume of the Shares to the public float of the Company at the end of the month/period during the Review Period:

Month/Period	Total trading volume of the Shares	Total number of trading days	Average daily trading volume of the Shares <i>Approx.</i> <i>(Note 1)</i>	Percentage of the average daily trading volume of the Shares to the total number of issued Shares <i>Approx.</i> <i>(Note 2)</i>	Percentage of the average daily trading volume of the Shares to the total number of the issued Shares held by the public <i>Approx.</i> <i>(Note 3)</i>
2023					
September (<i>since 3 September</i>)	2,132,000	19	112,211	0.009%	0.023%
October	74,000	20	3,700	0.0003%	0.001%
November	162,000	22	7,364	0.001%	0.002%
December	120,000	19	6,316	0.0005%	0.001%
2024					
January	–	22	–	–	–
February	4,000	19	211	0.00002%	0.00004%
March	10,000	20	500	0.00004%	0.0001%
April	2,900,000	20	145,000	0.011%	0.030%
May	2,358,000	21	112,286	0.009%	0.023%
June	2,822,000	19	148,526	0.012%	0.030%
July	520,000	22	23,636	0.002%	0.005%
August	1,016,000	22	46,182	0.004%	0.009%
September	39,528,000	19	2,080,421	0.163%	0.426%
October	23,521,609	21	1,120,077	0.088%	0.229%
November	4,732,963	21	225,379	0.018%	0.046%
December (up to and including the Latest Practicable date)	1,336,000	12	111,333	0.009%	0.023%
Maximum			2,080,421	0.163%	0.426%
Minimum			–	–	–
Average			258,946	0.020%	0.053%

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

Notes:

1. Calculated by dividing the total trading volume of the Shares for the respective corresponding months/periods by the total number of trading days of the Shares in the respective corresponding months/periods.

2. Based on total number of Shares in issue at the end of each of the respective corresponding months/periods.
3. Based on the total number of Shares in issue of 380,655,532 Shares held by the Independent Scheme Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the trading liquidity of the Shares was generally thin during the Review Period, with the average daily trading volumes of the Shares having accounted for a range from nil to approximately 0.16% over the total number of Shares in issue as at the end of the relevant month/period and a range from nil to approximately 0.426% of the total number of the issued Shares held by the public as at the Latest Practicable Date.

Given the thin historical average daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Scheme Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, we are of the view that the Proposal provides the Scheme Shareholders with an assured exit if they wish to realise their investments in the Shares without exerting downward pressure on the trading price of the Shares.

3.3 Cancellation Price comparisons

As disclosed in the Letter from the Board, the Cancellation Price of HK\$0.350 per Scheme Share represents:

- (a) a premium of approximately 4.48% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 3.55% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the first 60 trading days up to and including the Resumption Day of approximately HK\$0.338 per Share;
- (c) a premium of approximately 4.48% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the first 30 trading days up to and including the Resumption Day of approximately HK\$0.335 per Share;
- (d) a premium of approximately 5.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the first 10 trading days up to and including the Resumption Day of approximately HK\$0.331 per Share;
- (e) a premium of approximately 7.03% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the first five trading days up to and including the Resumption Day of approximately HK\$0.327 per Share;
- (f) a premium of approximately 9.38% over the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on 3 September 2024, being the Resumption Day ;

- (g) a premium of approximately 78.57% over the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on 23 August 2024, being the Last Trading Day;
- (h) a premium of approximately 81.35% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$0.193 per Share;
- (i) a premium of approximately 82.29% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.192 per Share;
- (j) a premium of approximately 81.35% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.193 per Share;
- (k) a premium of approximately 86.17% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.188 per Share;
- (l) a premium of approximately 131.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of approximately HK\$0.151 per Share;
- (m) a premium of approximately 92.31% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.182 per Share;
- (n) a premium of approximately 89.19% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 trading days up to and including the Last Trading Day of approximately HK\$0.185 per Share;
- (o) a discount of approximately 41.57% to the audited consolidated net asset value of the Group of approximately HK\$0.599 per Share as at 31 December 2023 (which is calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$763,246,000 as at 31 December 2023 and 1,274,038,550 Shares in issue as at 31 December 2023);

- (p) a discount of approximately 39.55% to the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.579 per Share as at 30 June 2024 (which is calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$737,879,000 as at 30 June 2024 and 1,274,038,550 Shares in issue as at 30 June 2024); and
- (q) a discount of approximately 39.34% to the Adjusted NAV per Share of approximately HK\$0.577 as at 30 June 2024, which the Adjusted NAV per Share as at 30 June 2024 is set out under the section headed “6. Property interest and adjusted net asset value” in Appendix I to this Scheme Document.

In summary, the Cancellation Price of HK\$0.350 per Scheme Share represents (i) a premium ranged from approximately 78.57% to 131.79% over the closing prices of the Shares for different periods up to and including the Last Trading Day; (ii) a discount of approximately 41.57% and 39.55% to the Group’s audited consolidated net asset value per Share as at 31 December 2023 and the Group’s unaudited consolidated net asset value per Share as at 30 June 2024, respectively; and (iii) a discount of approximately 39.34% to the Adjusted NAV per Share of approximately HK\$0.577. It is noted that the closing price of the Shares on the Latest Practicable Date amounted to HK\$0.335 per Share, the Cancellation Price of HK\$0.350 per Scheme Share represents a premium of approximately 4.48% over it.

4. Comparable companies

In assessing the fairness and reasonableness of the Cancellation Price, we have primarily adopted the price-to-earnings ratio (“P/E Ratio”) approach and price-to-book ratio (“P/B Ratio”) approach, which are the most commonly used benchmarks in analysing companies with a track record of generating profits and valuing a company or business. Given the Group (i) recorded a net profit attributable to the Shareholders for the year ended 31 December 2023; and (ii) the investment properties and loan receivables of the Group are crucial assets for the revenue-generating activities of the Group and collectively, accounted for approximately 80% of the total assets of the Group as at 31 December 2023, we consider the P/E Ratio and P/B Ratio are the appropriate approaches for our analysis.

For the purpose of our analysis, we have, on best effort basis, identified from the website of the Stock Exchange an exhaustive list of two companies which are (i) non-II-Share companies listed on the Main Board of the Stock Exchange, having considered that the share capital structure of H-share companies are different from that of the Company, as not all the issued shares of H-share companies can be traded in the Stock Exchange, such as its A-shares or domestic shares; (ii) with market capitalisation below HK\$1,000 million, represents approximately double of the implied market capitalisation of the Company as at the Latest Practicable Date of approximately HK\$445.9 million, as listed companies with market capitalisation far different from the Company may affect comparability; and (iii) with approximately 70% and 20% of revenue principally derived from loan financing and factoring business and investment properties holding business, respectively, for their latest

audited financial year, as similar to the composition of the Group's revenue segments with the two principal businesses accounted for approximately 90% of its total revenue (the "Comparable Companies").

Taking into consideration that (i) the Comparable Companies are listed on the Main Board of the Stock Exchange, which share similar market sentiment; (ii) the business nature, the composition of revenue segments of the Comparable Companies are similar to the Group, which the majority of revenue of the Comparable Companies are derived from loan financing and factoring business and investment properties holding business for their latest audited financial year; and (iii) the market capitalisation parameter is reasonable as discussed above, we consider such Comparable Companies are the only companies that could fulfill all the criteria and thus are appropriate to form a representative and benchmark reference for Shareholders to assess the fairness and reasonableness of the Cancellation Price. The Comparable Companies set out in the table below represented an exhaustive list of comparable companies to the Company based on the abovementioned selection criteria and would serve as a fair and representative sample for drawing a meaningful comparison to the Cancellation Price.

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from loan financing and factoring business and investment properties holding business	Market capitalisation ⁽¹⁾ HK\$ million	P/B Ratio ^{(2) (8)} times	P/E Ratio ^{(3) (8)} times
New Century Group Hong Kong Limited ("New Century Group")	234	Principally engaged in money lending, property investment and securities trading businesses.	Approximately 80.0% from loan financing and factoring business; approximately 19.6% from investment properties holding business	173.4	0.11	7.74

Comparable Companies	Stock code	Principal business	Percentage of revenue generated from loan financing and factoring business and investment properties holding business	Market	P/B Ratio ⁽⁷⁾ ⁽⁸⁾	P/E Ratio ⁽³⁾ ⁽⁸⁾
				capitalisation ⁽¹⁾ HK\$ million	times	times
China Properties Investment Holdings Limited ("China Properties Investment")	736	Principally engaged in money lending, properties investment and educational support businesses.	Approximately 70.3% from loan financing and factoring business; approximately 29.7% from investment properties holding business	48.1	0.09	NA ⁽⁴⁾
				Maximum	0.11	7.74
				Minimum	0.09	7.74
				Average	0.10	7.74
The Company	668			445.9 ⁽⁵⁾	0.61 ⁽⁶⁾	33.56 ⁽⁷⁾

Source: Website of the Stock Exchange (www.hkcx.com.hk)

Notes:

1. The market capitalisation was based on the closing price and the total shares in issue as at the Latest Practicable Date.
2. The P/B Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net asset value attributable to owners of the respective companies as stated in their respective then latest published annual report/interim report.
3. The P/E Ratio was based on the then market capitalisation of the respective companies as at the Latest Practicable Date, divided by the net profit attributable to owners of the respective companies as stated in their respective then latest published annual report.
4. China Properties Investment recorded a net loss for the year ended 31 March 2024. Thus, P/E Ratio is not applicable.
5. It is calculated based on the Cancellation Price multiplied by the total number of issued Shares as at the Latest Practicable Date.
6. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the Adjusted NAV.

7. It is calculated based on the implied market capitalisation of the Company as at the Latest Practicable Date divided by the net profit attributable to the Shareholders for the year ended 31 December 2023 as extracted from the 2023 Annual Report.
8. For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Comparable Companies denominated in RMB (if applicable and if any) are calculated at the approximate exchange rates of RMB1 to HK\$1.07. These exchange rates are for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

As shown in the table above, the P/B Ratios of the Comparable Companies ranged from approximately 0.09 times to 0.11 times, with an average of approximately 0.10 times. We noted that the implied P/B Ratio of the Cancellation Price of approximately 0.61 times is higher than (i) the range of the P/B Ratios of the Comparable Companies; and (ii) the average of the P/B Ratios of the Comparable Companies.

As China Properties Investment recorded a net loss for the year ended 31 March 2024, P/E Ratio is not applicable. We noted that the implied P/E Ratio of the Cancellation Price of approximately 33.56 times is higher than the P/E Ratio of New Century Group, which amounted to approximately 7.74 times.

In light of the above, we consider that the analysis provides an additional indicator to demonstrate that the Cancellation Price is fair and reasonable so far as the Independent Scheme Shareholders are concerned.

5. Privatisation precedents

To assess the fairness and reasonableness of the Cancellation Price, we have identified from the website of the Stock Exchange an exhaustive list of ten companies listed on the Main Board of the Stock Exchange, which their privatisation proposals were (i) initially announced by companies listed on the Stock Exchange at the relevant time during the Review Period; (ii) conducted by way of scheme of arrangement; (iii) involved cash consideration only (excluding combined consideration of cash and shares); and (iv) approved by disinterested shareholders or the required acceptance level was achieved, as the case may be, during the Review Period (the “Privatisation Precedents”).

The terms of the Privatisation Precedents set out below, in our view, demonstrate the premium over market prices needed in Hong Kong to secure a successful privatisation, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatisation precedents is widely used in assessing the pricing of privatisation proposals in Hong Kong. Despite the business nature and scale of each company vary and some aspects of pricing may be industry-specific, we consider that the Privatisation Precedents represent an exhaustive list of privatisation proposals satisfying the above selection criteria and reflect the pricing of recent successful privatisations and recent market sentiments towards privatisations as a whole. Accordingly, we regard the Privatisation Precedents as a relevant benchmark for acceptable privatisation premium range in the market and one of the factors we consider meaningful in assessing the fairness and reasonableness of the Cancellation Price.

The table below illustrates the premiums or discounts of the cancellation prices of each of the Privatisation Precedents over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements:

Date of the first announcement	Company	Stock code	Premium/(Discount) of cancellation price over/to closing share price over/to ⁽¹⁾						Last trading days	Last 180 trading days	Premium/(Discount) of cancellation price over/to the net asset value per share ⁽²⁾
			Last trading days	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 120 trading days			
15/09/2023	Lansen Pharmaceutical Holdings Limited	503	26.8%	24.1%	22.5%	20.0%	15.4%	21.8%	23.3%	(22.1)%	
06/10/2023	Pine Care Group Limited	1989	(1.1)%	0.7%	0.9%	1.5%	8.9%	27.3%	43.8%	(7.9)%	
06/10/2023	Haitong International Securities Group Limited	665	114.1%	111.1%	108.2%	126.5%	122.2%	125.2%	110.5%	(39.3)%	
04/12/2023	Weiqiao Textile Company Limited	2698	104.7%	104.9%	102.7%	111.1%	142.9%	143.6%	144.9%	(78.3)%	
14/12/2023	Sinosoft Technology Group Limited	1297	29.4%	30.4%	31.2%	31.1%	22.5%	11.4%	14.2%	(78.9)%	
28/03/2024	SciClone Pharmaceuticals (Holdings) Limited	6600	17.2%	30.8%	34.1%	45.7%	47.6%	57.3%	66.6%	227.5%	
18/04/2024	Kin Yat Holdings Limited	638	33.3%	43.4%	51.6%	51.5%	53.6%	62.5%	72.1%	(57.4)%	
27/05/2024	Huafa Property Services Group Company Limited	982	30.6%	36.8%	40.2%	70.6%	82.2%	90.0%	104.9%	970.1%	
12/06/2024	A8 New Media Group Limited	800	162.8%	159.0%	168.7%	185.7%	186.1	155.6	125.9	(48.1)%	
16/07/2024	Samson Holding Ltd.	531	50.0%	75.5%	94.6%	143.2%	181.4%	171.2%	150.0%	(47.1)%	
		Maximum	162.8%	159.0%	168.7%	185.7%	186.1%	171.2%	150.0%	970.1%	
		Minimum	(1.1)%	0.7%	0.9%	1.5%	8.9%	11.4%	14.2%	(78.9)%	
		Average	56.8%	61.7%	65.5%	78.7%	86.3%	86.6%	85.6%	81.9%	
		Median	32.0%	40.1%	45.9%	61.0%	67.9%	76.3%	88.5%	(43.2)%	
	The Company	568	78.6%	81.4%	82.3%	81.4%	86.2%	131.8%	92.3%	(39.34)% ⁽²⁾	

Source: Website of the Stock Exchange (www.hkex.com.hk) and the LSEG Workspace, a financial data platform operated by the London Stock Exchange Group (<https://www.lseg.com/>)

Notes

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective announcements and they are subject to rounding differences.
2. It represents the premium/(discount) of the cancellation price over/(to) the latest available net asset value per share attributable to the shareholders of the company or adjusted NAV per share (where applicable) as extracted from their respective announcements and their relevant scheme documents.
3. The Adjusted NAV per Share was used.

As shown in the table above, the premium represented by the Cancellation Price over the closing price of the Shares on the Last Trading Day and the average closing price of the Shares across all periods are above the average and median of the respective premium/(discount) over/to the closing price of the shares of the Privatisation Precedents for all reference periods, except for being slightly lower than the average of those for the period of the last 60 trading days, and are within the range of the respective premium/(discount) over/to the closing price of the shares of the Privatisation Precedents for all reference periods.

In addition, the premium/discount of the cancellation price over/to the net asset value per share of the Privatisation Precedents ranged from a discount of approximately 78.9% to a premium of approximately 970.1% (the "NAV Range") with a median of discount of approximately 43.2%. The Cancellation Price of HK\$0.350 per Scheme Share represents a discount of approximately 39.34% to the Adjusted NAV per Share, which was within the NAV Range of the Privatisation Precedents.

In light of the above, we consider that the Cancellation Price is fair and reasonable so far as the Independent Scheme Shareholders are concerned.

RECOMMENDATIONS

Having taking into consideration the principal factors and reasons as discussed above, in particular:

- (i) the Proposal, if implemented, will provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a reasonably attractive premium and to reallocate the proceeds from the disposal of the Shares to alternative investment opportunities with more liquidity;
- (ii) based on our review on (i) the audited consolidated statements of profit or loss of the Group for the two years ended 31 December 2023; (ii) the unaudited consolidated statements of profit or loss of the Group for the six months ended 30 June 2023 and 2024; (iii) the audited consolidated statements of financial position of the Group as at 31 December 2022 and 2023; (iv) the unaudited consolidated statements of financial position of the Group as at 30 June 2024; (v) the audited statements of profit or loss of the Company for the two years ended 31 December 2023; (vi) the unaudited statements of profit or loss of the Company for the six months ended 30 June 2023 and 2024; (vii) the audited statements of financial

position of the Company as at 31 December 2022 and 2023; and (viii) the unaudited statements of financial position of the Company as at 30 June 2024, our independent market research and discussion with the Management, we noted that the business performance of the Group has been affected by the challenges faced by the PRC economy, including the weak market sentiment and the prolonged downturn of the real estate sector, which may have aroused uncertainty in the prospect of the Group;

- (iii) with the generally thin trading liquidity of the Shares during the Review Period, it is uncertain that there would be sufficient liquidity in the Shares for the Scheme Shareholders (especially those with relatively sizeable shareholdings) to dispose of a significant number of Shares within a short period in the open market without exerting a downward pressure on the price of the Shares; and
- (iv) the Cancellation Price being fair and reasonable based on our analysis as set out in the sections headed “3. Analysis of price performance of the Shares”, “4. Comparable companies” and “5. Privatisation precedents” above,

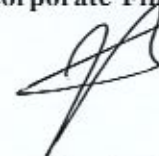
We are of the opinion that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Scheme Shareholders are concerned and in the interest of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise:

- (i) the Independent Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (ii) the Shareholders to vote in favour of the resolution(s) in respect of the Scheme at EGM.

The Shares have traded below the Cancellation Price since the Last Trading Day and up to the Latest Practicable Date. There is still a possibility that the closing price of Shares may exceed the Cancellation Price by 4:10 p.m. on 17 January 2025, being the expected latest time for trading in the Shares on the Stock Exchange. Accordingly, the Scheme Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period, and having their own circumstances, Scheme Shareholders may consider to sell their Shares in the open market if the net proceeds to be obtained from the disposal of the Shares (after deducting all transaction costs) would be higher than the net amount expected to be received under the Scheme.

* *For identification purposes only*

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



Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 19 years of experience in the accounting and investment banking industries.