

30 August 2024

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH PARTIAL OFFER
BY RAINBOW CAPITAL (HK) LIMITED
FOR AND ON BEHALF OF MR. WANG YONGKUI
TO ACQUIRE 158,000,000 SHARES IN
WISDOM WEALTH RESOURCES INVESTMENT HOLDING GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. WANG YONGKUI
AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Partial Offer and as to the acceptance of the Partial Offer. Details of the Partial Offer are set out in the response document of the Company dated 30 August 2024 (the “**Response Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Zheng Zhaojun, Mr. Wang Ning and Mr. Chan Kwong On, has been established to advise the Qualifying Shareholders in connection with the Partial Offer. The Independent Board Committee has approved our appointment as the independent financial adviser to the Independent Board Committee in this regard.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Partial Offer. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, (i) the Offer Announcement and the Offer Document; (ii) the Response Document; (iii) the annual reports of the Company for the years ended 31 December 2021 (the “**2021 Annual Report**”) and 2022 (the “**2022 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (v) the announcements issued by the Company from 2 May 2024, being the date of announcement by the Offeror in relation to the Partial Offer, up to the Latest Practicable Date. *As at the Latest Practicable Date, the annual results of the Company for the year ended 31 December 2023 have not been published by the Company.*

We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Partial Offer, including the information and representations contained in the Response Document.

We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Response Document were reasonably made after due enquiry. *Save and except for the annual results of the Company for the year ended 31 December 2023 and the latest valuation report of Zhanjiang Property*, we consider that the information we have received is sufficient for us to express our opinion and give the advice and recommendation set out in this letter, and have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Response Document were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and *save and except for the annual results of the Company for the year ended 31 December 2023 and the latest valuation report of Zhanjiang Property*, there are no other matters the omission of which would make any statement herein misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Directors in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document at the time when they were made and continued to be so up to the Latest Practicable Date the omission of which would make any statement in the Response Document misleading.

The information contained in the Response Document relating to the Offeror and parties acting in concert with him and the terms of the Offer has been extracted or derived from the Offer Document, which the Offeror accepts full responsibility for the accuracy.

Should there be any subsequent material changes which occur during the period from the date of the Response Document up to the close of the Partial Offer, including but not limited to the publication of the annual results of the Company for the year ended 31 December 2023 and the latest valuation report of Zhanjiang Property, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Partial Offer (as the case may be) since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position regarding the Partial Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PARTIAL OFFER

Rainbow Capital, on behalf of the Offeror, is making the Partial Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share. HK\$0.018 in cash

The Offer is extended to all Qualifying Shareholders in accordance with the requirements of the Takeovers Code.

Condition to the Partial Offer

As disclosed in the Offer Document, the Partial Offer is subject to the condition that valid acceptances being received (and not, where permitted, withdrawn) in respect of a minimum of 158,000,000 Offer Shares, representing approximately 4.71% of the issued share capital of the Company as at the Latest Practicable Date, at or before 4:00 p.m. (Hong Kong time) on the First Closing Date which shall be at least 28 days following the Offer Document Despatch Date, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code.

In the event that valid acceptances are received:

- (i) for less than the required number of 158,000,000 Offer Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the requirements of the Takeovers Code, the Offer will not proceed and will lapse immediately; and
- (ii) for not less than the required number of 158,000,000 Offer Shares on or before the First Closing Date, the Offeror will declare the Offer unconditional as to acceptances on or before the First Closing Date.

Further details of the Partial Offer including, among others, the expected timetable, the condition, terms and procedures of acceptance of the Offer, are set out in the Offer Document, the Form of Acceptance and further announcements made/to be made by the Offeror (if applicable).

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION FOR THE PARTIAL OFFER

In formulating our opinion and recommendation regarding the Partial Offer, we have taken into consideration the following principal factors and reasons:

1. Background and financial information of the Group

The Group is principally engaged in (i) trading of electronic products and equipment (the “**Trading Business**”); (ii) exploration and production of mineral, oil and gas (the “**Mineral, Oil and Gas Business**”); (iii) provision of financial services (the “**Financial Business**”); and (iv) rental and sale of property (the “**Property Business**”).

Given that the annual results for the year ended 31 December 2023 have not been published by the Company as at the Latest Practicable Date, we set out below a summary of (i) the audited consolidated financial information of the Group for the three years ended 31 December 2022 as extracted from the 2021 Annual Report and 2022 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 and 2023, respectively, as extracted from the 2023 Interim Report:

Financial performance of the Group

	Six months ended				
	Year ended 31 December			30 June	
	2020	2021	2022	2022	2023
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue					
– Trading Business	984,666	493,958	489,486	175,981	210,179
– Mineral, Oil and Gas Business	–	–	–	–	–
– Financial Business	22,627	27,430	21,213	10,322	9,050
– Property Business	5,875	1,016	838	269	631
Total revenue	1,013,168	522,404	511,537	186,572	219,860
Gross profit	32,655	57,877	31,073	14,837	13,117
Segment (loss)/profit					
– Trading Business	(1,138)	27,809	(33,570)	(1,908)	(4,507)
– Mineral, Oil and Gas Business	(62)	(64)	(104)	(37)	(90)
– Financial Business	(536)	6,390	2,892	3,161	173
– Property Business	(197,913)	430,414	450,210	372,128	(13,632)
Total segment results	(199,649)	464,549	419,428	373,344	(18,056)
Other overhead and expenses	(51,697)	(71,947)	(63,113)	(28,415)	(27,761)
Profit/(loss) before taxation	(251,346)	392,602	356,315	344,929	(45,817)
Profit/(loss) for the year/period	(212,917)	276,203	239,575	250,263	(45,817)

FY2020, FY2021 and FY2022

As shown in the table above, revenue of the Group decreased dramatically by approximately HK\$490.8 million or 48.4% from approximately HK\$1,013.2 million in FY2020 to approximately HK\$522.4 million in FY2021. With reference to the 2021 Annual Report, the decrease in total revenue was mainly attributable to the shrinkage of Trading Business resulted from decrease in the sales of low end electronic products during FY2021. Despite the setback of slashed revenue, the Group recorded a turnaround from a net loss of approximately HK\$212.9 million in FY2020 to a net profit of approximately HK\$276.2 million in FY2021 mainly because of the fair value gain on investment properties in Zhanjiang of approximately HK\$442.8 million recorded in FY2021 as compared to the fair value loss on investment properties in Beijing and Zhanjiang of approximately HK\$158.9 million recorded in FY2020.

Revenue of the Group remained relatively stable and only recorded a slight decrease of approximately HK\$10.9 million or 2.1% from approximately HK\$522.4 million in FY2021 to approximately HK\$511.5 million in FY2022. However, gross profit margin dropped from approximately 11.1% in FY2021 to approximately 6.1% in FY2022. According to the 2022 Annual Report, the decrease in gross profit was mainly attributable to the decrease in sales of electronic products and equipment in the PRC. Profit for the year decreased by approximately HK\$36.6 million or 13.3%, from approximately HK\$276.2 million in FY2021 to approximately HK\$239.6 million in FY2022 which was mainly attributable to (i) the decline in gross profit by approximately HK\$26.8 million; (ii) the increase in impairment losses on financial assets at amortised cost of approximately HK\$23.7 million mainly related to accounts receivable arising from the Trading Business; (iii) the increase in finance costs of approximately HK\$8.0 million; which were countered by the positive impact of (iv) increase in fair value gain on investment properties in Zhanjiang and Beijing amounting to approximately HK\$24.4 million.

1H2022 and 1H2023

Revenue of the Group increased by approximately HK\$33.3 million or 17.8% from approximately HK\$186.6 million in 1H2022 to approximately HK\$219.9 million in 1H2023. With reference to the 2023 Interim Report, the increase in total revenue was mainly attributable to the improvement in revenue generated from the Trading Business which was driven by sales of electronic products and equipment. However, the results of the Group deteriorated from a net profit of approximately HK\$250.3 million in 1H2022 to a net loss of approximately HK\$45.8 million in 1H2023 which was mainly because of the absence of fair value gain on investment properties of the Group for the 1H2023, while a fair value gain on investment properties of approximately HK\$379 million was recognized for 1H2022.

Financial position of the Group

	As at 31 December 2022 (audited) HK\$'000	As at 30 June 2023 (unaudited) HK\$'000
Non-current assets	4,419,799	4,223,574
Current assets	1,177,492	1,233,865
Non-current liabilities	546,229	521,899
Current liabilities	905,757	956,859
Net current assets	271,735	277,006
Net assets	4,145,305	3,978,681

As at 31 December 2022

As at 31 December 2022, the total assets of the Group were approximately HK\$5,597.3 million, mainly comprised (i) the investment properties of approximately HK\$4,220.9 million; and (ii) the properties for sale of approximately HK\$945.6 million. The aggregate book value of the investment properties accounted for over 92% of the total assets as at year end of FY2022.

As at 31 December 2022, the total liabilities of the Group were approximately HK\$1,452.0 million, mainly comprised (i) the deferred tax liabilities of approximately HK\$541.9 million; (ii) borrowings of approximately HK\$421.2 million; and (iii) the accounts and other payables and accrued expenses aggregately amounting to approximately HK\$400.5 million.

As a result, the Group recorded net assets of approximately HK\$4,145.3 million as at 31 December 2022.

As at 30 June 2023

As at 30 June 2023, the total assets of the Group were approximately HK\$5,457.4 million, mainly comprised (i) the investment properties of approximately HK\$4,035.0 million; and (ii) the properties for sale of approximately HK\$865.1 million. The aggregate book value of the investment properties accounted for over 89% of the total assets as at period end of 1H2023.

As at 30 June 2023, the total liabilities of the Group were approximately HK\$1,478.8 million, mainly comprised (i) the deferred tax liabilities of approximately HK\$518.0 million; (ii) borrowings of approximately HK\$428.0 million; and (iii) the accounts and other payables and accrued expenses aggregately amounting to approximately HK\$444.9 million.

As a result, the Group recorded net assets of approximately HK\$3,978.7 million as at period end of 1H2023.

2. Uncertainties and major development of the Group subsequent to FY2022

The audited annual results for FY2023

As at the Latest Practicable Date, the Company has yet to publish the audited annual results for FY2023. With reference to the announcements of the Company dated 28 March 2024, 15 April 2024, 14 May 2024 and 14 June 2024, the Company could not publish its annual results for FY2023 by 31 March 2024 and, accordingly, trading in the Shares on the Stock Exchange has been suspended since 2 April 2024 and continue as at the Latest Practicable Date. The delay in publication of the FY2023 annual results constitutes a non-compliance with Rule 13.49(1) of the Listing Rules. Such non-compliance has led to the receipt of resumption guidance from the Stock Exchange as discussed further below. ***We have not reviewed the audited account nor the management account of the Company for FY2023. Independent Shareholders should be aware of the risk that the financial position of the Group for FY2023 may be significantly different from its position as disclosed in the 2023 Interim Report.***

Resumption guidance

Reference is made to the announcement of the Company dated 9 July 2024 in relation to the resumption guidance. On 27 June 2024, the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company on the Stock Exchange (the “**Resumption Guidance**”). The Stock Exchange requires the Company to meet all requirements set out in the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its shares is allowed to resume. The Stock Exchange further indicated that it may modify or supplement the Resumption Guidance if the Company’s situation changes. ***Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 October 2025.***

The winding up petition

References are made to (i) the announcement of the Company dated 28 August 2023 in relation to the statutory demand; (ii) the announcement of the Company dated 12 September 2023 in relation to the winding up petition; (iii) the clarification announcement dated 20 September 2023; and (iv) the announcement of the Company dated 19 August 2024 in relation to the dismissal of winding up petition. On 4 August 2023, the Company received a statutory demand from Shinny Solar Limited which is a lender to the facility agreement with the Company dated 26 October 2017 to demand the Company to pay an amount of HK\$293,948,000, which comprises the outstanding loan principal and interest and default interest accrued. Shinny Solar Limited subsequently filed a winding up petition against the Company on 11 September 2023 (the “**Winding-up Petition**”). After several times of adjournments of the hearing of the Winding-up Petition, the High Court of Hong Kong has ordered that the Winding-up Petition be dismissed on 19 August 2024 upon the application for withdrawal of the Winding-up Petition by Shinny Solar Limited and the withdrawal of claims by the supporting creditors.

Back in early 2021, the Group has intended to repay the amount due to Shinny Solar Limited with proceeds from disposal of the Beijing Properties. However, it was further stated in the announcement that such disposal of the Beijing Properties could not be implemented because of factors such as the unilateral arrangement by Shinny Solar Limited and its related companies and representatives to take control of the equity interest in Millhaven Holdings Limited, being the subsidiary of the Company holding interests in the Beijing Properties. Such unilateral arrangement was further clarified in the announcement as being stop notice filed with the court of the British Virgin Islands and served by Shinny Solar Limited on 26 April 2022. The first attempt of disposal of the Beijing Properties (the “**First Attempt Disposal**”) was terminated on 16 February 2023.

With reference to the announcement of the Company dated 31 May 2024, the Company made a second attempt to dispose the Beijing Properties which constituted a very substantial disposal to the Company (the “**Second Attempt Disposal**”). However, it was subsequently announced by the Company on 3 July 2024 that the Second Attempt Disposal was also terminated on 26 June 2024. It was stated in the announcement that the termination of Second Attempt Disposal was because of lack of cooperation by Shinny Solar Limited.

As at the Latest Practicable Date, no further update on the disposition of the Beijing Properties was announced by the Company. Despite that the Board considers the Company remains to have control of the Beijing Properties, having considered the failures of First Attempt Disposal and Second Attempt Disposal, we would like to alert the Independent Shareholders to the potential difficulty of realization of the Beijing Properties and that the control of the Company over the Beijing Properties may, to certain extent, be highly restrictive.

Seizure of land use rights for the Zhanjiang Property and impacts on the valuation

References are made to (i) the voluntary announcement by the Company dated 12 June 2024 in respect of the Zhanjiang Property, which disclosed a meeting was held on 6 June 2024 between Guangdong Gangyue Financial Holdings Real Estate Development Co., Ltd.* (廣東港粵金控房地產開發有限公司) (“**Guangdong Gangyue**”), a wholly owned subsidiary of the Company established for the Zhanjiang Property, and the major contractors (the “**Contractors**”) and creditors (the “**Project Creditors**”) involved in the project; and (ii) the announcement of the Company dated 11 July 2024 regarding the change of the Board composition.

We noted that the Contractors and the Project Creditors have expressed that the substantial changes in the Board (“**Material Adverse Incident**”) would lead to a loss of confidence in the Zhanjiang Property. They believe that such incidents would significantly increase uncertainties and risks, which would adversely affect their investments and legitimate interests in the Zhanjiang Property. It is also disclosed that the Contractors and the Project Creditors would, among others, cease providing construction works and funding to the Zhanjiang Property. On 11 July 2024, resolutions to remove the previous Board and form a new Board, being the existing Board comprising two executive Directors, namely, Mr. Xu Shiping and Mr. Huang Lei; and three independent non-executive Directors, namely, Mr. Zheng Zhaojun, Mr. Wang Ning and Mr. Chan Kwong On, were passed and therefore the Material Adverse Incident mentioned by the Contractors and the Project Creditors was triggered. ***Accordingly, it remains uncertain as to whether the Contractors and the Project Creditors would cease providing construction works and funding to the Zhanjiang Property which could adversely affect the progress of the project.***

References are also made to the announcements dated 3 July 2024 and 5 August 2024 in relation to the seizure of land use right of the Zhanjiang Property. There are court proceedings concerning a guarantee contract dispute between Guangdong Gangyue and Shiny Solar Limited. In the course of such court proceedings, Shiny Solar Limited applied for property preservation with Zhanjiang Intermediate People’s Court on 27 February 2024 and requested a seizure of fixed assets belonging to Guangdong Gangyue in a sum not exceeding RMB376,811,908. On 14 May 2024, the court granted the application and ordered the seizure of land use rights for the Zhanjiang Property owned by Guangdong Gangyue, effective from 29 May 2024 to 28 May 2027. In response, Guangdong Gangyue filed an application for reconsideration on 17 June 2024. However, the Board received the ruling on 1 August 2024 that such reconsideration application has been turned down by Zhanjiang Intermediate People’s Court.

Based on the latest update on the status of the Company, we understand that the seizure of the Zhanjiang Property has led to a temporary suspension of the construction and development works of the Zhanjiang Property.

As at Latest Practicable Date, the latest valuation report of Zhanjiang Property is not available and the construction progress of the project remains uncertain.

3. Industry overview and outlook of the Group

As shown in the financial information of the Group in the section headed “Background and financial information of the Group” above, Trading Business contributed over 95% of the total revenue for the respective financial year/period under review. However, we noted that the Trading Business has demonstrated a downward trend in scale and has been loss making most of the time during the financial year/period under review. The contribution of Trading Business to earnings of the Group was far less significant than that of the Property Business where fair value gain/loss on investment properties (i.e. Beijing Properties and Zhanjiang Property) had dominant impact on the net profit/loss of the Group. Accordingly, we consider that the Property Business is more relevant to the future prospect and outlook of the Group and have conducted research on the property market in the PRC as set out below:

Year 2023	Residential property	Office building	Commercial property
Property development investment	RMB8,382.0 billion	RMB453.1 billion	RMB805.5 billion
<i>Year-on-year change</i>	(9.3%)	(9.4%)	(16.9%)
Total property sales by transaction value	RMB10,299.0 billion	RMB374.2 billion	RMB661.9 billion
<i>Year-on-year change</i>	(6.0%)	(12.9%)	(9.3%)
Total property sales by floor area	948.0 million sq.m	27.2 million sq.m	63.6 million sq.m
<i>Year-on-year change</i>	(8.2%)	(9.0%)	(12.0%)

Source: The National Bureau of Statistics

The table above illustrates that the momentum of property sales and investment in the PRC market has been under downward pressure throughout 2023. If the abovementioned downward trend sustains, the Group may require longer time span to generate income from the Group’s investment properties.

Having considered (i) the sluggish property market in the PRC; (ii) the current seizure of land use rights by Shiny Solar Limited for the Zhanjiang Property which remains effective till 28 May 2027; and (iii) the difficulty of disposal of Beijing Properties as evidenced by failures of First Attempt Disposal and Second Attempt Disposal, we remain cautious about the future prospect and outlook of the Group.

4. Information of the Offeror and his intention in relation to the Group

The Offeror, aged 39, is a merchant in the PRC, with his businesses covering the field of import and export trading, property investment and medical investment. He has over 10 years of experience in investment and import and export trading. He is currently the controlling shareholder and a director of 深圳市中港創富投資發展有限公司 (Shenzhen Zhonggang Chuangfu Investment Development Company Limited*), a company established in the PRC and principally engaged in investment and import and export trading. He is also the sole shareholder and a director of 粵港澳融熙(廣州)投資有限公司 (YueGangAo Rongxi (Guangzhou) Investment Company Limited*), a company established in the PRC and principally engaged in property and other investment and import and export trading.

The Offeror believes that the stock market in Hong Kong is currently in a valuation depression when compared with the global capital market. The Offeror has confidence in the long-term development of Hong Kong's capital market, and is keen to make long-term investments in the Hong Kong stock market. The Offeror believes that the Company's business in property development and sand mining has long term development potential. In particular, the property development business in the PRC has been adversely affected by the depressed property development market and poor sentiment in the PRC.. Closely monitoring the business development of the Group and the industry development trend in the PRC, the Offeror is of the view that the property development market will record a turnaround and the Group will benefit from the industry-wide support from both national and local governments. The Offeror considers that the Company has value in its assets and intends to acquire approximately 4.71% of the issued share capital of the Company.

5. Offer Price

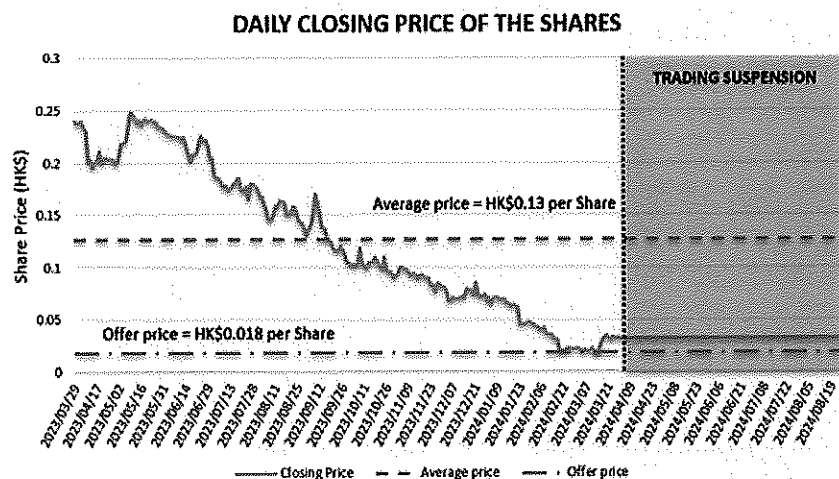
(a) *Comparison of Offer Price*

The Offer Price of HK\$0.018 per Offer Share represents:

- (i) a discount of approximately 43.75% to the closing price of HK\$0.032 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 44.44% to the average of the closing prices of the Shares of approximately HK\$0.0324 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 43.22% to the average of the closing prices of the Shares of approximately HK\$0.0317 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.42% to the average of the closing prices of the Shares of approximately HK\$0.0248 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 98.54% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.2350 per Share as at 31 December 2022, calculated based on the audited consolidated net asset value attributable to the shareholders of approximately HK\$4,143.6 million as at 31 December 2022 and 3,355,140,697 Shares in issue as at the Latest Practicable Date; and
- (vi) a discount of approximately 98.48% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.1854 per Share as at 30 June 2023, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of HK\$3,977.3 million as at 30 June 2023 and 3,355,140,697 Shares in issue as at the Latest Practicable Date.

(b) *Historical price performance of the Shares*

To assess the fairness and reasonableness of the Offer Price, we have performed a review on the daily closing prices of the Shares from 29 March 2023 to 28 March 2024, being the last trading day before the trading suspension of Shares (the “**Review Period**”). We consider that the duration of the Review Period would be a reasonable and sufficient period to illustrate the closing price movement of the Shares as it covered reasonably sufficient duration prior to trading suspension of Shares to fully reflect the market reaction on the Shares. The daily closing prices of the Shares for the Review Period and up to the Last Practicable Date are illustrated as follows:



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

As shown in the chart above, during the Review Period, the average share price was approximately HK\$0.13 per Share (the “**Average Share Price**”). The daily closing price ranged from HK\$0.016 per Share (the “**Lowest Share Price**”) to HK\$0.249 per Share (the “**Highest Share Price**”) during the Review Period. The Offer Price of HK\$0.018 represents (i) a premium of approximately 12.5% to the Lowest Share Price; (ii) a discount of approximately 92.8% to the Highest Share Price; and (iii) a discount of approximately 86.2% to the Average Share Price for the Review Period.

We notice that the Highest Share Price was recorded on 10 May 2023 and since then the share price remained sluggish and kept declining in a general downward trend with a few small rebounds. As discussed with management of the Group, it is believed that the general downward trend of the share price may be resulted from the unsettled court cases, winding up petition and unstable management team that cast uncertainty on the operation and future prospect of the Group.

The Lowest Share Price was recorded on 13 March 2024, being the 11th trading day preceding the Last Trading Day. After that, the share price rebounded and hovered around HK\$0.03 per Share. As discussed with management, they are not aware of any reasons or inside information that caused such price movement. Shortly after the share price rebound, the Company announced delay in publication of FY2023 annual results and trading of the Shares has been suspended since 2 April 2024.

(c) Historical trading liquidity of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/period	Total trading volume (No. of Shares)	No. of trading days	Average trading volume of the Shares	Percentage of average daily trading volume to the total number of Shares in issue (Note)
<i>Year 2023</i>				
March (from 29 March 2023)	1,254,500	3	418,167	0.01%
April	12,588,000	17	740,471	0.02%
May	111,033,000	21	5,287,286	0.17%
June	17,824,500	21	848,786	0.03%
July	17,996,000	20	899,800	0.03%
August	21,993,000	23	956,217	0.03%
September	19,104,000	19	1,005,474	0.03%
October	13,458,000	20	672,900	0.02%
November	16,096,000	22	731,636	0.02%
December	17,353,000	19	913,316	0.03%
<i>Year 2024</i>				
January	44,445,000	22	2,020,227	0.06%
February	823,236,500	19	43,328,237	1.37%
March (up to the Last Trading Day)	1,811,297,142	20	90,564,857	2.87%

Note: Based on the average daily trading volume of Shares divided by the total issued Shares of the Company as at the Last Trading Day (i.e. 3,160,140,697 Shares)

As shown in the table above, during the Review Period, the trading liquidity of the Shares remains thin with the average daily trading volume ranging from approximately 0.01% to 2.87% of the total number of Shares in issue as at the Last Trading Day. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, if the trading of the Shares could be resumed during the Offer Period, without exerting a downward pressure on the Share price. Therefore, the Partial Offer provides an opportunity for the Independent Shareholders to realise their investments in the Company at a fixed price, especially when trading in the Shares is still under suspension since 2 April 2024.

Despite that the Offer Price represented a deep discount to the closing price of the Share as quoted on the Stock Exchange on the Last Trading Day, having considered (i) the share price remained sluggish and kept declining in a general downward trend since May 2023; (ii) the Lowest Share Price of HK\$0.016 per Share was recorded on 13 March 2024, being just 11 trading days before the Last Trading Day and the reasons for subsequent rebound in share price up to the Last Trading Day was unknown to the management of the Company, making it uncertain as to whether such recovery in share price will be sustainable; (iii) the Offer Price of HK\$0.018 represents a premium of approximately 12.5% to the Lowest Share Price; (iv) the thin liquidity which could make disposal of the Shares in open market difficult; and (v) the trading suspension currently in place due to delay in publication of FY2023 annual results and it remains uncertain as to the resumption progress of the Company, we are of the view that the Partial Offer provides an opportunity for the Independent Shareholders to realise their investments in the Company at a fixed price and consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

It is noted that the Offeror is making the Partial Offer to acquire 158,000,000 Offer Shares only, and therefore accepting Shareholders may not be able to sell all their Shares to the Offeror. In addition, if acceptances are received for over 158,000,000 Offer Shares, the Offeror will announce details of the way in which the pro rata entitlement for each accepting Shareholder was determined. As a result of any scale down of acceptance, the Shareholders accepting the Partial Offer may retain Shares in odd lots (i.e. holding of less than a board lot of 10,000 Shares) that are generally less marketable than whole board lots and realizable at a lesser market value. Having considered (i) the Partial Offer provides equal opportunity for each Independent Shareholders to sell their Shares to the Offeror; and (ii) Silverbricks Securities Company Limited has been appointed to match sales and purchases of odd lot holdings for a period of six weeks after the close of the Partial Offer, we are of the view that the arrangement of the Partial Offer is justifiable and amount to fair treatment of the Independent Shareholders as a whole.

6. Market comparable analysis

As part of our analysis, we have also carried out market comparable analysis on the valuation of comparable companies listed on the Main Board of the Stock Exchange. Having considered (i) based on the 2023 Interim Report which represents the latest financial information we could obtain as at the Latest Practicable Date, the Group was loss making for the six months ended 30 June 2023; (ii) the annual results of the Company for the year ended 31 December 2023 have not been published by the Company as at the Latest Practicable Date; (iii) the 2022 Annual Report which contains full year financial information of the Group is less relevant to reflect the current business performance of the Group; and (iv) the aggregate book value of the investment properties (i.e. the Beijing Property and the Zhanjiang Property) accounted for approximately 90% of the total assets of the Group, we are of the view that using the valuation matrix of price-to-book ratio (“P/B”) is appropriate in our market comparable analysis.

We have identified comparable companies based on the following criteria: (i) the shares are trading on the Main Board of the Stock Exchange; (ii) the companies with market capitalization of HK\$100 million or below which is considered to be of similar size as compared with the market capitalisation of the Group of approximately HK\$101.1 million on the Last Trading Day; (iii) the principal business is property development in the PRC with the book values of property assets representing more than 50% of their respective total assets; and (iv) positive NAV is recorded in their latest published financial statements. We have scrutinized the annual reports/ interim reports of listed companies in the property development and property investment industries, and identified a total of 15 comparable companies (the “Comparable Companies”), which to the best of our knowledge represent the exhaustive list that meet the aforesaid selection criteria and are considered fair and representative.

Nonetheless, Shareholders or potential investors should note that the business, operations, market capitalization and prospects of the Comparable Companies are not the same as those of the Company, and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies.

Stock code	Company name	Market capitalization (Note 1) HK\$'000 (A)	Net asset value (Note 2) HK\$'000 (B)	P/B (A/B)
299	Glory Sun Land Group Limited	15,288	2,225,585	0.01
2330	China Uptown Group Company Limited	35,110	161,013	0.22
485	China Sinostar Group Company Limited	27,669	196,589	0.14
2088	Xiwang Property Holdings Company Limited	39,446	471,547	0.08
6611	Sanxun Holdings Group Limited	49,314	2,270,811	0.02
115	Grand Field Group Holdings Limited	57,565	1,152,296	0.05
6878	Differ Group Auto Limited	46,032	181,529	0.25
760	Talent Property Group Limited	59,186	1,778,576	0.03
1232	Golden Wheel Tiandi Holdings Company Limited	46,775	1,051,292	0.04
1124	Coastal Greenland Limited	68,824	1,288,611	0.05
2608	Sunshine 100 China Holdings Ltd	73,974	878,280	0.08
262	Deson Development International Holdings Limited	70,407	1,341,590	0.05
1862	Jingrui Holdings Limited	70,785	4,572,217	0.02
456	New City Development Group Limited	42,208	371,726	0.11
997	Chinalink International Holdings Limited	29,232	826,523	0.04
			Average	0.08
			Median	0.05
			Maximum	0.25
			Minimum	0.01
	The Company			
	Based on Offer Price (Note 3)	56,883	3,978,681	0.01
	Based on share price on Last Trading Date (Note 4)	101,125	3,978,681	0.03

Note:

1. Calculated based on the share price and number of shares in issue of the respective Comparable Companies as at the Latest Practicable Date.
2. Based on the latest financial reports of the respective Comparable Companies.
3. Market capitalization of the Company is calculated based on the Offer Price and number of shares in issue on Last Trading Day. The net asset value as at 30 June 2023 is extracted from the 2023 Interim Report.

4. Market capitalization of the Company is calculated based on the share price and number of shares in issue on Last Trading Day. The net asset value as at 30 June 2023 is extracted from the 2023 Interim Report.

As shown in the table above, the P/B of the Comparable Companies ranged from approximately 0.01 times to approximately 0.25 times, with an average of approximately 0.08 times and a median of approximately 0.05 times. The P/B of the Company based on Offer Price of approximately 0.01 times falls within the range but lower than the average and median of that of the Comparable Companies. The P/B of the Company based on market price of the Shares on Last Trading Day of approximately 0.03 times also falls at the lower end of the range.

Despite that the valuation of the Company implied by the Offer Price is lower than that implied by market price on Last Trading Day, having considered (i) the generally low valuation of the Company assessed by market; (ii) the uncertainty in relation to the current status and value of Beijing Property and Zhanjiang Property which aggregately accounted for 90% of the total assets of the Group as discussed in the section headed “Uncertainties and major development of the Group subsequent to FY2022” above; and (iii) trading of the Shares has been suspended since 2 April 2024, making it uncertain as to whether the share price on Last Trading Day and the implied market valuation will be sustainable if trading could be resumed, we are of the view that the valuation of the Company implied by the Offer Price which falls within the range of that of the Comparable Companies, is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

Despite that the Offer Price represented a deep discount to the closing price of the Share as quoted on the Stock Exchange on the Last Trading Day, based on our analyses above and, in particular, having considered the following key factors (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) as at the Latest Practicable Date, the audited annual results for FY2023 have not been published and the financial position of the Group for FY2023 may be significantly different from its position as disclosed in the 2023 Interim Report;
- (ii) trading of the Shares has been suspended since 2 April 2024 and the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months;
- (iii) the Company faced difficulty in realizing the Beijing Property as evidenced by failures of First Attempt Disposal and Second Attempt Disposal;
- (iv) seizure of land use rights for the Zhanjiang Property will remain effective till 28 May 2027;

- (v) the share price remained sluggish and kept declining in a general downward trend since May 2023;
- (vi) the Lowest Share Price of HK\$0.016 per Share was recorded on 13 March 2024, being just 11 trading days before the Last Trading Day and the reasons for subsequent rebound in share price up to the Last Trading Day was unknown to the management of the Company, making it uncertain as to whether such recovery in share price will be sustainable;
- (vii) the Offer Price of HK\$0.018 represents a premium of approximately 12.5% to the Lowest Share Price;
- (viii) the thin liquidity which could make disposal of the Shares in open market difficult;
- (ix) although the Offeror is making the Partial Offer to acquire 158,000,000 Offer Shares only and accepting Shareholders may not be able to sell all their Shares to the Offeror, the Partial Offer provides equal opportunity for each of the Independent Shareholders to realise their investments in the Company at a fixed price; and
- (x) the P/B valuation of the Company implied by the Offer Price falls within the range of that of the Comparable Companies indicating that the accepting Shareholders could sell Shares to the Offeror at a price that is in line with market prices of similar listed companies in the property development and property investment industries,

we are of the opinion that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Partial Offer.

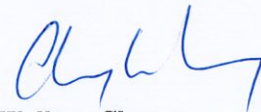
We would like to draw the Independent Shareholders' attention that the analysis, opinion and recommendation contained in this letter is formed and subject to limitations as discussed in the section "Uncertainties and major development of the Group subsequent to FY2022", amongst others:

- (i) the absence of the annual results of the Company for the year ended 31 December 2023 and the latest property valuation report on the Zhanjiang Property;*
- (ii) the impact on the future development of the Zhanjiang Property after change of the Board composition;*
- (iii) the Winding-up Petition;*
- (iv) the uncertainty of when the trading of Shares will be resumed;*
- (v) the uncertainty of the future prospect of the property market in the PRC; and*

Independent Shareholders are reminded to assess the latest developments and situation of the Group. As at the Latest Practicable Date, trading of the Shares remains suspended and the open market is not available for the Independent Shareholders to dispose of the Shares. There is an uncertainty as to whether and when trading of the Shares could be resumed. While the Partial Offer currently represents the only exit opportunity available to the Independent Shareholders before the resumption of trading of the Shares, market price of the Shares could be higher than the Offer Price if trading of the Shares could be resumed during the Offer Period. The Independent Shareholders are also reminded that if the valid acceptances of more than 158,000,000 Offer Shares are received, the Qualifying Shareholders may not be able to fully realise their Shares, in case they opt to accept the Offer.

As different Independent Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Response 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 before making the decision to, whether or not, accept the Partial Offer. The Independent Shareholders should read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document.

Yours faithfully,
For and on behalf of
Messis Capital Limited



Wallace Cheung
Managing Director

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 13 years of experience in corporate finance industry.