



SOMERLEY CAPITAL LIMITED

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28 January 2026

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
LEGEND UPSTAR HOLDINGS LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Scheme, details of which are set out in the Scheme Document dated 28 January 2026, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 9 December 2025, the Offeror and the Company jointly announced that the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act and the withdrawal of the listing of the Shares on the Stock Exchange. If the Proposal is approved and implemented, all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date, in exchange for the payment by the Offeror to the Scheme Shareholders of the Cancellation Price of HK\$0.133 in cash for each Scheme Share.

Upon the Scheme becoming effective, the Company will become a wholly-owned subsidiary of the Offeror. It is intended that the listing of the Shares on the Stock Exchange will be withdrawn with effect after the Effective Date.

An Independent Board Committee, which comprises all the independent non-executive Directors who have no direct or indirect interest in the Proposal, namely Mr. SHA Pau, Eric, Mr. WONG Chung Kwong and Mr. LI Wai Keung, has been established by the Board to



advise the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme, and in particular as to (i) whether the Proposal and the Scheme are fair and reasonable; and (ii) voting in respect of the Scheme at the Court Meeting and the EGM. With the approval of the Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme.

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

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive directors and management of the Company, which we have assumed to be true, accurate and complete in all material respects as at the Latest Practicable Date and will remain so up to the time of the Court Meeting and the EGM. We have reviewed (i) the annual reports of the Company for the years ended 31 December 2023 and 2024, and the interim report of the Company for the six months ended 30 June 2025; (ii) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the **“Property Valuer”**) on the property interests of the Group as at 30 November 2025 (the **“Property Valuation Report”**) as set out in Appendix II to the Scheme Document; (iii) the trading performance of the Shares on the Stock Exchange in recent years; and (iv) other relevant information contained in the Scheme Document. We have discussed with an executive director (who acted on behalf of the Board) the statements set out in the section headed **“4. Material Change”** in Appendix I to the Scheme Document that, save as disclosed in that section, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

We have sought and received confirmation from the Directors that all material information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts has been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror, or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed



that all representations contained or referred to in the Scheme Document are true as at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations.

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

PRINCIPAL TERMS OF THE PROPOSAL

The principal terms of the Proposal are summarised below. The Scheme Shareholders are urged to read the relevant sections in the Scheme Document and its appendices in full.

The Proposal

As stated in the section headed “1. Introduction” in the Explanatory Memorandum as contained in the Scheme Document, if the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to the Scheme Shareholders of the Cancellation Price of HK\$0.133 in cash for each Scheme Share;
- (b) upon the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of any reduction in issued share capital will be applied to the paying up in full of the new Shares so issued, credited as fully paid, to the Offeror; and
- (c) the listing of the Shares on the Stock Exchange will be withdrawn with effect after the Effective Date.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,805,282,608 Shares, out of which (i) the Offeror held 1,132,553,428 Shares, or approximately 62.74% of the issued Shares; and (ii) the Scheme Shareholders held 672,729,180 Shares, or approximately 37.26% of the issued Shares. Other than the Shares held by the Offeror, which will not form part of the Scheme Shares, the Offeror Concert Parties do not hold or beneficially own any Shares.

Save as the 54,000,000 outstanding Share Options with an exercise price of HK\$0.128 per Share held by the Offeror Concert Parties, there were no other outstanding options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date. The holders of the outstanding Share Options, all being Offeror Concert Parties, have indicated that they will not exercise their respective Share Options during the offer period



applicable under the Scheme and require no option offer to be extended to them pursuant to Rule 13 of the Takeovers Code. Pursuant to the terms of the Share Option Scheme, the Share Options will lapse automatically upon the Scheme becoming effective.

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, or pay any dividend, distribution or other return of capital on or before the Effective Date, or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be).

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

As set out in the section headed “2. Terms of the Proposal” in the Explanatory Memorandum as contained in the Scheme Document, the Cancellation Price has been determined by the Offeror after taking into account factors including the prevailing net losses suffered by the Group and the continued trend of fair value loss from the revaluation of the Group’s investment properties as disclosed in the interim report of the Company for the six months ended 30 June 2025, and the factors set out in the section headed “4. Reasons for and benefits of the Proposal” in the Explanatory Memorandum, with reference to the pricing premium in comparable privatisation transactions in recent years. Please refer to our relevant analyses on the above in the sections below headed “3. Financial information and prospects of the Group”, “4(e) Property valuation and adjusted net asset value” and “4(g) Privatisation precedents”.

Conditions of the Proposal

The Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the Conditions are fulfilled or waived (as applicable) on or before the Long Stop Date. A full set of the Conditions and the relevant details are set out in the section headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum as contained in the Scheme Document. The main Conditions are as follows:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting in accordance with the prevailing requirements of section 86 of the Companies Act as at the date of the Court Meeting;
- (b) the approval of the Scheme (by way of poll) at the Court Meeting by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting, and the number of votes cast by Disinterested Scheme Shareholders present and voting either in person or by



proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Disinterested Scheme Shareholders;

- (c) (i) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the issued share capital of the Company as a result of cancelling and extinguishing the Scheme Shares and (ii) after the above reduction of share capital of the Company, the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the number of issued Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and the application of the credit arising in the Company's books of accounts as a result of the aforesaid reduction of share capital to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for allotment and issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modification) under section 86(2A) of the Companies Act and if necessary its confirmation of any reduction of the issued share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of (and if necessary, minutes approved by) the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 to 17 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme; and
- (f) all Approvals which are (i) required in connection with the Proposal by (1) the Applicable Laws or (2) any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date.

In relation to Condition (b) above and based on approximately 673 million Shares held by the Disinterested Scheme Shareholders, if approximately 67.3 million Shares held by the Disinterested Scheme Shareholders are voted against the Scheme, the Scheme will not proceed.

The Conditions set out in paragraphs (a) to (e) and (f)(i)(1) above cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f)(i)(2) and (f)(ii) in whole or in part. The Company does not have the right to waive any of the Conditions.



As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than the Approvals listed in the Conditions in paragraphs (a) to (e) (inclusive), the Offeror and the Company are not aware of any other Approvals which are required as set out in the Conditions in paragraph (f) above, and the Offeror and the Company are also not aware of any other circumstances which may result in any of the Conditions in paragraph (f) not being satisfied.

As at the Latest Practicable Date, none of the above main Conditions have been fulfilled or waived (where applicable). Please refer to the section headed “5. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum as contained in the Scheme Document regarding the details and status of the full set of the Conditions.

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

The Proposal is currently expected to be completed in the first quarter of 2026, and the payments of the Cancellation Price to be made to the Scheme Shareholders on or before 31 March 2026. For further information regarding upcoming timeline of the Proposal, please refer to the section headed “Expected Timetable” as contained in the Scheme Document.

Disinterested Scheme Shareholders should note that the Scheme, if approved, will be binding on the Company and all the Scheme Shareholders, irrespective of whether or not they have attended or voted at the Court Meeting and/or the EGM.

If the Scheme is not approved or the Proposal otherwise lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background and principal business of the Group

Legend Upstar Holdings Limited is an investment holding company. The Group is principally engaged in (i) the provision of property agency services in respect of commercial and industrial properties and shops under brand “Midland IC&I” (美聯工商舖); (ii) the investment in non-residential properties; and (iii) the credit business in Hong Kong under



brand “Legend Credit” (駿聯信貸). The Shares are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$216.6 million.

The property agency business segment has been the largest contributor to the Group’s revenue stream. Property agency fees generated from the provision of the property agency services amounted to approximately HK\$338.5 million and HK\$301.5 million in 2023 and 2024, representing approximately 85.3% and 84.5% of the Group’s total revenues, respectively. In terms of property agency fees by property type, shops and commercial properties together accounted for over 70% of such fee income in both 2023 and 2024.

Under the properties investment segment, the Group holds a portfolio of non-residential properties, mainly representing commercial and industrial units, serviced apartments and shops in Hong Kong, for rental income. In 2023 and 2024, the occupancy rate of the Group’s investment portfolio stayed high, while the Group’s serviced apartment (being the Princeton Residence) registered high occupancy rates and slight rental income gains. Accordingly, it brought a stable rental income to the Group in the past two years, amounting to approximately HK\$27.5 million and HK\$28.4 million. While the revenue contribution only accounted for less than 10% of the Group’s total revenues in recent periods, the Group’s investment properties accounted for approximately 58.8% of its total assets as at 30 June 2025.

The credit business segment is conducted through the Group’s wholly-owned subsidiary, Legend Credit Limited, which is a licensed money lender under the Money Lenders Ordinance. The vast majority of the Group’s loans represented property mortgage loans granted to customers in Hong Kong, with properties located in Hong Kong as collateral. It brought interest income to the Group amounting to approximately HK\$31.1 million and HK\$27.0 million in 2023 and 2024 respectively. While the revenue contribution only accounted for less than 10% of the Group’s total revenues in recent periods, the credit business contributed a majority of the segment results of the Group.

Further analysis of the Group’s operating performance and financial position is set out in the section below headed “3. Financial information and prospects of the Group”.

2. Reasons for and benefits of the Proposal

It is stated in the section headed “4. Reasons for and benefits of the Proposal” in the Explanatory Memorandum as contained in the Scheme Document, that the Proposal is intended to provide a compelling opportunity for the Scheme Shareholders to fully exit their investments with certainty and realise immediate value during uncertain times. The Offeror believes that the non-residential property segment is currently navigating a period of challenge and adjustment, and noted the broader credit environment has become increasingly cautious regarding this segment, as evidenced by the increases in credit-related provisions by a number of banks on loans relating to Hong Kong commercial property sector, in which the Group conducts its principal businesses.



We note from the Company's 2025 interim report that while the Group recorded an increase in revenues by approximately 19.4% to approximately HK\$240.5 million in the first half of 2025, mainly benefitted by an increase in agency fee from industrial property transactions, a net loss for the period attributable to equity holders of the Company of approximately HK\$33.3 million was recorded during the same period, mainly due to the non-cash fair value loss on the Group's investment properties, reflecting the challenging market conditions of the non-residential property market in Hong Kong. Please refer to the section below headed "3. Financial information and prospects of the Group" for our further analysis on the historical financial information and prospects of the Group.

The Cancellation Price represents premiums in the range of approximately 71.28% to 80.22% over the average closing prices of the Shares for different periods of up to the last 90 days prior to publication of the Announcement. As disclosed in the section headed "4. Reasons for and benefits of the Proposal" in the Explanatory Memorandum, the Offeror recognizes that the liquidity of the Shares has been relatively low when compared to the total number of Shares available for trading (i.e. being the total number of issued Shares other than the Shares held by the Offeror. The Offeror believes that the Proposal, if implemented, will offer the Scheme Shareholders an opportunity to recuperate their investment in the Company at a substantial market premium, allowing them to reallocate capital to alternative investment opportunities. Our analyses on the historical price performance of the Shares, trading liquidity of the Shares and the comparison of the level of premiums offered under the Proposal with other privatisation proposals in Hong Kong are set out in the sections below headed "4(a) Historical price performance of the Shares", "4(b) Trading liquidity of the Shares" and "4(g) Privatisation precedents" respectively.

As stated in the section headed "9. The Intentions of the Offeror in relation to the Group" in the Explanatory Memorandum as contained in the Scheme Document, as at the Latest Practicable Date, the Offeror intends that the Group will continue to carry on its existing businesses, and the Offeror has no intention, upon the Scheme becoming effective, to make any material change to the existing businesses and/or material disposal or redeployment of assets of the Group, or to make any significant changes to the continued employment of employees of the Group as a result of the implementation of the Proposal other than any change which the Group may from time to time implement in the ordinary course of business. It is also stated that the Group will continue to work with its customers and business partners in existing and future endeavours to grapple with business challenges.

Shareholders should note that the Offeror will not increase the Cancellation Price and does not reserve the right to do so. As the Offeror has a statutory control over the Company, holding approximately 62.74% of the issued Shares as at the Latest Practicable Date, we consider it unlikely that another third party could in practice make a comparable or better offer for the entire Shares, and any such offer would not succeed without the approval of the Offeror.



3. Financial information and prospects of the Group

(i) *Operating performance*

The following table sets out a summary of the consolidated income statements of the Group for the three years ended 31 December 2022, 2023 and 2024, and for the six months ended 30 June 2024 and 2025, as extracted and summarised from the annual reports and interim report of the Company. Further details and other financial information of the Group are set out in Appendix I to the Scheme Document.

	For the six months ended		For the year ended		
	30 June		31 December		
	2025 (unaudited) HK\$'000	2024 (unaudited) HK\$'000	2024 (audited) HK\$'000	2023 (audited) HK\$'000	2022 (audited) HK\$'000
Revenues	240,538	201,530	356,856	397,073	450,083
Fair value loss on investment properties	(47,200)	(3,400)	(53,900)	(26,700)	(11,301)
Other gains/(loss), net	166	285	12,003	7,342	2,798
Operating expenses	(208,703)	(159,245)	(293,637)	(315,819)	(395,886)
Operating lease charges in respect of shop premise	–	(390)	(550)	(163)	–
Depreciation of right-of-use assets and property and equipment	(8,759)	(11,316)	(21,644)	(29,245)	(31,516)
Net impairment losses on financial assets	(1,078)	(7,676)	(6,461)	(10,362)	(6,237)
Operating (loss)/profit	(25,036)	19,788	(7,333)	22,126	7,941
Finance costs, net	(6,264)	(8,814)	(16,029)	(16,180)	(10,185)
(Loss)/profit before income tax	(31,300)	10,974	(23,362)	5,946	(2,244)
(Loss)/profit for the period/year	(33,803)	9,291	(26,641)	(1,695)	(3,652)
(Loss)/profit for the period/year attributable to equity holders of the Company	(33,343)	9,504	(26,043)	(733)	(3,689)
(Loss)/earnings per share – Basic and diluted (HK cents)	(1.847)	0.526	(1.443)	(0.041)	(0.204)

During the periods under review, despite its properties investment and credit business segments remained stable, the Group's property agency business segment has been adversely affected by, among others, the poor market conditions which was caused by the weak local consumption, the weaker-than-expected economic recovery,



the decline in visitor spending, the elevated interest rate environment and the poor investment sentiment. These negative factors caused downward pressure on the non-residential property market activities and prices in Hong Kong, and as a result, the contributions from the Group's property agency business segment in recent periods have been significantly reduced. Coupled with the fair value loss on the Group's investment properties in recent periods, the Group incurred a net loss in each of the year 2022, 2023 and 2024, and in the first half of 2025. Further details are discussed in the remaining paragraphs of this section.

Revenues

The Group's revenues declined by approximately 11.8% from approximately HK\$450.1 million in 2022 to approximately HK\$397.1 million in 2023 and further declined by approximately 10.1% to approximately HK\$356.9 million in 2024. The declines were mainly due to the continuous drop in property agency fees, which decreased from approximately HK\$389.1 million in 2022 to approximately HK\$338.5 million in 2023 and to approximately HK\$301.5 million in 2024, resulting from the decreases in the transaction volumes of shops, offices and industrial units. According to the Hong Kong transactions statistics published on the website of Midland Group (as defined below), transaction volumes of shops, offices and industrial units continued to drop in recent years, from approximately 4,500 units in 2022 to approximately 3,900 units in 2023 and further down to approximately 3,500 units in 2024. The decrease in the Group's revenue from property agency business was partly offset by the stable income from the Group's properties investment and credit businesses.

In the first half of 2025, the Group recorded revenues of approximately HK\$240.5 million, representing an increase of approximately 19.4% compared with that in the first half of 2024. The increase was mainly driven by the improvement of the Group's property agency business segment, supported by the rise in the transaction activity of the non-residential market and a series of business enhancement initiatives between the Group and members of Midland Holdings Limited ("Midland", together with its subsidiaries, "Midland Group"), a company listed on the Stock Exchange (stock code: 1200.HK) and controlled by Mr. Freddie Wong. Revenue from the Group's properties investment and credit businesses continued to remain stable during the same period.

Fair value loss on investment properties

The Group's investment properties were valued by an independent qualified professional valuer at the end of each reporting period/year, and the relevant fair value gains/loss were recognised in the Group's financial results during the periods under review. The Group recorded fair value loss on its investment properties in each of the year 2022, 2023 and 2024, and in the first half of 2025, mainly due to, among others, the continued challenging conditions in the Hong Kong non-residential property market and the elevated interest rate environment.



After the subdued market in 2024, the transaction volume across different property types, including shops, offices and industrial units, posted year-on-year gains in the first half of 2025. Despite the increased volume, the office sector was affected by market concerns over the uncertain geopolitical situation, which disrupted business expansion plans, and the retail sector continued to suffer from the impact of cross-border spending by local consumers. As a result, the Group recognised further fair value losses on investment properties of approximately HK\$47.2 million in the first half of 2025.

Other gains/(loss), net

Other gains/(loss), net of the Group of approximately HK\$12.0 million in 2024 mainly related to a compensation income of approximately HK\$11.4 million from a litigation claim, while the amount of approximately HK\$7.3 million in 2023 mainly related to a gain on disposal of a subsidiary, which in turn held a shop unit located in Hong Kong.

Operating expenses

Operating expenses mainly included (i) staff costs (including directors' emoluments), (ii) commissions and rebates to property consultants, co-operative estate agents and property buyers and (iii) advertising and promotion expenses. It generally trended downward during the periods under review.

Loss for the period/year attributable to equity holders of the Company

Loss for the period/year attributable to equity holders of the Company has been affected significantly by the Group's fair value loss on investment properties, as explained above. The attributable loss amounted to approximately HK\$3.7 million, HK\$0.7 million, and HK\$26.0 million in 2022, 2023 and 2024, and approximately HK\$33.3 million in the first half of 2025. The widening losses in 2024 and the first half of 2025, compared with the corresponding periods in the previous years, were mainly due to the revaluation loss of the Group's investment properties.

On 30 December 2025, the Company published a profit warning statement (the **"Profit Warning Statement"**), stating that, among others, (i) the Group expected to record a deterioration in financial results in 2025 as compared to the consolidated net loss attributable to equity holders of approximately HK\$26 million in 2024, principally due to the fair value loss on investment properties of approximately HK\$117 million for the eleven months ended 30 November 2025, and (ii) the Group had otherwise recorded an operating profit generated from property agency business, credit business and properties investment business, excluding a fair value loss on investment properties for the same period. The Profit Warning Statement constitutes a profit forecast under Rule 10 of the Takeovers Code and has been reported on by us and the auditor of the Company in accordance with Rule 10 of the Takeovers Code, the relevant reports of which are set out in Appendix V and IV to the Scheme Document respectively.



As described above, the results of the Group have been affected by fair value changes in its investment property portfolio. For the sake of analysing the Group's underlying operating performance for the last financial year and trailing twelve months ("TTM"), we have made adjustments to exclude the fair value losses on investment properties from the Group's net losses in 2024 and TTM ended 30 June 2025 as follows:

	For the TTM ended 30 June 2025 HK\$'000 (Note 1)	For the year ended 31 December 2024 HK\$'000
Reported loss for the period attributable to equity holders of the Company	(68,890)	(26,043)
Add-back: reported fair value loss on investment properties (Note 2)	97,700	53,900
Adjusted profit for the period attributable to equity holders of the Company ("Adjusted Profit")	28,810	27,857
Adjusted earnings per Share (Note 3)	0.0160	0.0154

Notes:

1. *Represented the consolidated reported TTM figures, calculated based on the published financial information extracted from the Company's 2024 annual report and/or 2025 interim report*
2. *The above adjustment has not taken into account any effect on tax or non-controlling interest*
3. *Based on the 1,805,282,608 Shares in issue as at the Latest Practicable Date*

Based on the above calculation, the adjusted earnings per Share, excluding the effect of reported fair value loss on investment properties, were approximately HK\$0.0154 and HK\$0.0160 per Share for the year ended 31 December 2024 and the TTM ended 30 June 2025 respectively. On this basis, the Cancellation Price of HK\$0.133 per Scheme Share represents adjusted price-to-earnings ("P/E") ratios of approximately 8.62 times based on the Group's Adjusted Profit in 2024, or approximately 8.33 times based on the Group's Adjusted Profit for the TTM ended 30 June 2025.



Dividend

No dividend has been declared and paid to the Shareholders during the periods under review. As set out in the letter from the Board, as at the Latest Practicable Date, (i) the Company has not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) the Company does not intend to announce, declare, or pay any dividend, distribution or other return of capital on or before the Effective Date, or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be).

(ii) Financial position

The following table sets out a summary of the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, as extracted and summarised from the annual reports and interim report of the Company. Further details and other financial information of the Group are set out in Appendix I to the Scheme Document.

	As at 30			
	June		As at 31 December	
	2025	2024	2023	2022
	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
ASSETS				
Property and equipment	10,382	6,561	6,938	8,278
Investment properties	905,700	952,900	1,006,800	1,060,500
Trade and other receivables	173,158	114,187	89,638	125,250
Loan receivables	214,367	251,064	333,710	362,370
Cash and cash equivalents	209,947	285,998	219,181	212,785
Other assets	25,668	25,058	35,172	51,341
Total assets	1,539,222	1,635,768	1,691,439	1,820,524
LIABILITIES				
Bank borrowings	234,541	373,044	384,225	449,951
Trade and other payables	194,365	122,156	125,581	165,332
Other liabilities	32,811	29,260	42,160	64,115
Total liabilities	461,717	524,460	551,966	679,398
Equity attributable to equity				
holders of the Company	1,074,320	1,108,593	1,133,445	1,134,136
Net asset value per Share (Note)	HK\$0.595	HK\$0.614	HK\$0.628	HK\$0.628

Note: Net asset value per Share is calculated by dividing equity attributable to equity holders of the Company by the number of shares in issue as at the end of the respective period/year



Property interests

As at 30 June 2025, the Group had investment properties of approximately HK\$905.7 million, accounting for approximately 58.8% of its total assets. Such investment properties mainly included the Princeton Residence (a serviced apartment), several office and industrial units at LMK Development Estate, Kaiseng Commercial Centre and Ford Glory Plaza, as well as a number of shops across various districts in Hong Kong. The aggregate fair value of the abovementioned investment properties was HK\$835.6 million as at 30 November 2025, as set out in the Property Valuation Report and further discussed in the section below headed “4(e) Property valuation and adjusted net asset value”. As confirmed with the management, the Group has no intention to dispose of its investment properties, as such properties are held for long-term rental income.

Loan receivables

Loan receivables, mainly arising from the Group’s credit business, amounted to approximately HK\$214.4 million as at 30 June 2025. The outstanding loan receivables involved 32 cases with different borrowers, all of which were secured by first mortgage over residential and/or non-residential properties, with an average loan to value ratio of approximately 48%. On the same date, the aggregate amount of loan receivables from the five largest borrowers was approximately HK\$119.6 million, representing approximately 56% of the total sum.

According to the Company’s annual and interim reports, credit risk assessment is performed based on the financial strength and repayment ability of the borrower, the collateral provided, prevailing market and competitive conditions and interest rate environment. Loans advanced by the Group are subject to approval on a case-by-case basis by a credit committee, which comprises members of the senior management who possess expertise in the property and financing fields. Impairment loss on loan of HK\$1.6 million was made for the year ended 31 December 2024, while no impairment loss on loan was made in the first half of 2025.



Cash balances and bank borrowings

As at 30 June 2025, the Group had cash and cash equivalents of approximately HK\$209.9 million. On the same date, bank borrowings of the Group were approximately HK\$234.5 million, which were secured by certain investment properties held by the Group and corporate guarantee given by the Company. Approximately HK\$15.0 million (or approximately 6.4% of total sum) of the above balance of bank borrowings were repayable within one year, and approximately HK\$219.5 million were repayable after one year. On the basis of the above cash and borrowing position, the Group had a net debt position of approximately HK\$24.6 million as at 30 June 2025.

As at 30 June 2025, the gearing ratio of the Group, calculated on the basis of the Group's total bank borrowings over total equity of the Group, was approximately 21.8%.

The bank borrowings of the Group remained stable as at 30 November 2025 at approximately HK\$227.7 million as set out in the section headed "3. Statement of Indebtedness" in Appendix I to the Scheme Document.

Equity attributable to equity holders of the Company and net asset value per Share

As at 30 June 2025, equity attributable to equity holders of the Company was approximately HK\$1,074.3 million, equivalent to net asset value per Share of approximately HK\$0.595. Based on the above, the Cancellation Price of HK\$0.133 per Scheme Share represents a discount of approximately 77.65% to the above net asset value per Share, or a price-to-book ("P/B") ratio of approximately 0.22 times.

Please also refer to the section below headed "4(e) Property valuation and adjusted net asset value" for further information on the adjusted net asset value and its use in our evaluation of the Cancellation Price.



(iii) Prospects

Broadly speaking, the Group's principal businesses are closely linked to the non-residential property market, the broader macroeconomic environment and the interest rate environment in Hong Kong. We have evaluated the prevailing situations of the non-residential property market in Hong Kong with reference to the most recently available property quarterly market statistics published by the Rating and Valuation Department of the Government of Hong Kong, as summarised below:

Year/Quarter	Private office		Private retail		Private flatted factories	
	Rental indices (overall)	Price indices (overall)	Rental indices	Price indices	Rental indices	Price indices
2023 Q1	227	474	168	488	215	860
2023 Q2	228	474	170	499	218	862
2023 Q3	229	463	173	493	221	842
2023 Q4	228	442	173	473	221	805
2024 Q1	225	422	169	458	218	761
2024 Q2	221	386	166	435	216	738
2024 Q3	218	365	164	408	216	698
2024 Q4	216	342	161	390	213	675
2025 Q1	214	326	158	381	211	667
2025 Q2	212	314	157	365	211	635
2025 Q3	209	303	157	351	207	606

Note: Indices rebased to the year 1999

From the above table, both prices and rentals for private office, retail and flatted factories in Hong Kong continued to trend downwards from the mid-2023 to the third quarter of 2025. In particular, the price indices of private office, retail and flatted factories declined by approximately 36.1%, 28.1% and 29.5% respectively since the beginning of 2023, underscoring the continuous correction in value of non-residential properties. We note from the commentaries in the Company's 2025 interim report that some signs of improvements are shown, such as the increase in transaction volumes across shops, offices and industrial units in the first half of 2025, but a full recovery is still some way off, and continued to be impacted by cross-border spending by local residents, the structural rise of online shopping, as well as an oversupply of commercial real estate in Hong Kong.



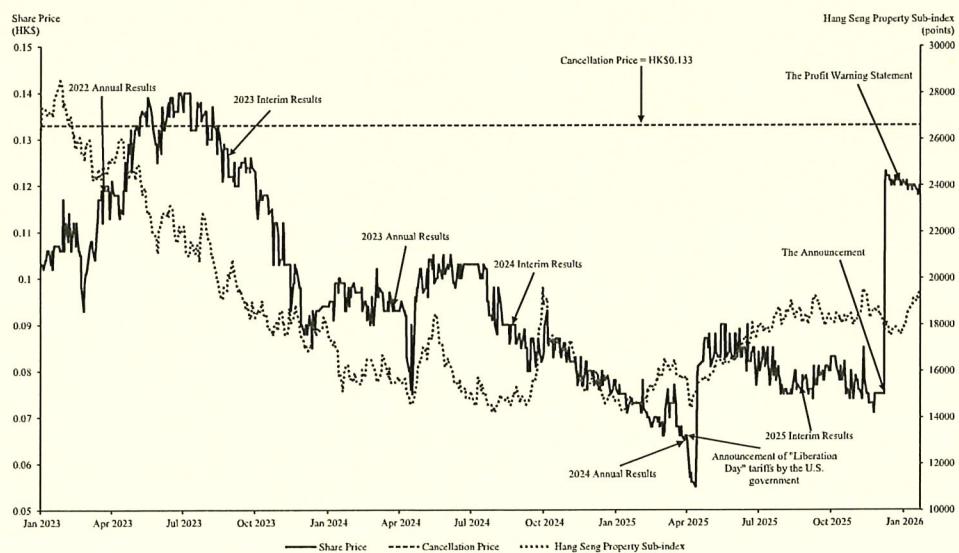
From a macroeconomic environment's perspective, the Hong Kong economy continued to recover in recent years, with real gross domestic product ("GDP") growing by approximately 3.2% and 2.5% in 2023 and 2024 respectively, and further expanding by approximately 3.0% to 3.8% year-on-year in the first three quarters of 2025, driven by a continued surge in exports and sustained expansion in domestic demand. The Hong Kong government has recently revised its GDP growth forecast for 2025 to approximately 3.2%. Separately, after the elevated interest rate environment since late 2022, the United States ("U.S.") federal funds target rate and the Base Rate in Hong Kong trended lower in tandem due to the Hong Kong's linked exchange rate system. The above factors may translate into improvement in market sentiment and lower funding costs, which are expected to support market activities in the non-residential property sector and credit markets, in which the Group's principal business may benefit from.

While the property agency and credit businesses of the Group may remain stable, supported by the factors discussed above, the fair value of the Group's investment properties tends to remain under pressure, as evidenced by the fair value loss on investment properties of approximately HK\$117 million in the first eleven months of 2025. On the basis of the above, we consider that the Group's future operating performance is expected to remain mixed and subject to various uncertainties, depending on Hong Kong's economic growth and the performance of the non-residential property sector.

4. Evaluation of the Cancellation Price

(a) Historical price performance of the Shares

Set out below is the movement of the daily closing prices of the Shares quoted on the Stock Exchange during the period from January 2023 to the Latest Practicable Date (the "Review Period"), and the comparisons between the historical price performance of the Shares and (a) the Cancellation Price of HK\$0.133 per Scheme Share and (b) the movement of Hang Seng Property Sub-index during the Review Period:



Source: Bloomberg

Note: Trading in the Shares was halted with effect from 1:00 p.m. on 3 December 2025, pending the release of the Announcement and subsequently resumed at 9:00 a.m. on 10 December 2025



As shown in the above chart, save for approximately 45 trading days in mid-2023 in aggregate, the Shares have been trading consistently at or below the Cancellation Price of HK\$0.133 during the Review Period.

During 2023, the prices of the Shares fluctuated between HK\$0.085 and HK\$0.140. After reaching a high of HK\$0.140 in between late June and early July 2023, prices broadly trended downward for almost two years, reaching a low in April 2025.

After bottoming out at HK\$0.055 on 14 April 2025, prices of the Shares rallied as market anxiety eased from the announcement of “Liberation Day” tariffs by the U.S. government. The prices of the Shares generally trended upward during the second quarter of 2025, and traded relatively steadily within the range of HK\$0.071 to HK\$0.085 from July to November 2025. Trading in the Shares was halted at noon on 3 December 2025, closing at HK\$0.075 and pending the publication of the Announcement.

The Announcement, including the Cancellation Price of HK\$0.133 per share, was published on 9 December 2025 (after trading hours). The share price surged by approximately 61.3% after the Announcement and closed at HK\$0.121 on 10 December 2025. Since then, the Shares’ price has stayed largely at or above the level of HK\$0.120. At the Latest Practicable Date, the Share price closed at HK\$0.120, representing a discount of approximately 9.77% to the Cancellation Price.

As we consider that the price of the Shares is currently influenced by the terms of the Proposal, if the Proposal fails, other things being equal, there is a likelihood of the share price returning to the levels prevailing before the publication of the Announcement.



(b) Trading liquidity of the Shares

Set out in the table below are the total monthly trading volumes of the Shares and the percentages of such total monthly trading volumes to the total issued Shares and the public float of the Company during the Review Period:

	Total monthly trading volume of the Shares	Percentage of total monthly trading volume to the total issued Shares (Note 2)	Percentage of total monthly trading volume to the public float (Note 3)
2023			
January	8,074,851	0.4%	1.0%
February	8,701,473	0.5%	1.1%
March	13,397,533	0.7%	1.7%
April	15,767,906	0.9%	2.0%
May	20,692,640	1.1%	2.7%
June	30,117,119	1.7%	4.0%
July	3,790,949	0.2%	0.5%
August	5,691,891	0.3%	0.8%
September	4,807,151	0.3%	0.6%
October	2,499,391	0.1%	0.3%
November	4,544,176	0.3%	0.6%
December	2,572,978	0.1%	0.3%
2024			
January	5,925,641	0.3%	0.8%
February	14,264,904	0.8%	1.9%
March	5,104,475	0.3%	0.7%
April	19,892,855	1.1%	2.7%
May	35,517,634	2.0%	5.1%
June	4,114,550	0.2%	0.6%
July	3,048,200	0.2%	0.4%
August	3,247,000	0.2%	0.5%
September	6,773,051	0.4%	1.0%
October	9,559,949	0.5%	1.4%
November	6,000,113	0.3%	0.9%
December	10,141,551	0.6%	1.5%



	Total monthly trading volume of the Shares	Percentage of total monthly trading volume to the total issued Shares (Note 2)	Percentage of total monthly trading volume to the public float (Note 3)
2025			
January	3,178,108	0.2%	0.5%
February	5,405,393	0.3%	0.8%
March	11,133,768	0.6%	1.6%
April	21,008,251	1.2%	3.1%
May	7,404,314	0.4%	1.1%
June	3,088,397	0.2%	0.5%
July	12,940,778	0.7%	1.9%
August	8,376,841	0.5%	1.2%
September	9,266,877	0.5%	1.4%
October	7,184,641	0.4%	1.1%
November	3,079,720	0.2%	0.5%
December	72,336,414	4.0%	10.8%
2026			
From 1 January to the Latest Practicable Date	15,453,471	0.9%	2.3%

Notes:

- (1) *Sourced from the Stock Exchange and the Company*
- (2) *Calculated by dividing the total monthly trading volumes of the total issued Shares by the issued Shares at the end of each month or at the Latest Practicable Date, as applicable*
- (3) *Calculated by dividing the total monthly trading volumes of the total issued Shares by the public float of the Company at the end of each month or at the Latest Practicable Date, as applicable*

As shown in the table above, except for the relatively higher monthly trading in December 2025 following the publication of the Announcement, the monthly trading volumes of the Shares between 2023 and 2025 represented approximately 0.1% to 2.0% of the total issued Shares, equivalent to approximately 0.3% to 5.1% of the Shares constituting the public float of the Company. Taking into account the dollar values of the trading volumes, we do not consider the Shares to be actively traded during the Review Period. If the Disinterested Scheme Shareholders wish to sell a significant number of Shares on the Stock Exchange, they may not be able to dispose of the Shares without a downward pressure on the market price. Consequently, the Proposal represents an opportunity for the Disinterested Scheme Shareholders to exit at a fixed cash price (i.e. the Cancellation Price of HK\$0.133 per Scheme Share), which also represents premiums over the average closing price of the Shares prior to the Announcement, as further discussed in the section below.



In the sub-section below headed “4(c) Comparison of value”, the Cancellation Price is compared against various (average) closing prices of the Shares over a range of periods up to 90 trading days prior to and including the Last Full Trading Day, and a range of resulting premiums is observed. Such premiums represented by the Cancellation Price over the historical prices of the Shares are analysed in conjunction with those of similar privatisation precedents in the sub-section below headed “4(g) Privatisation Precedents”. We note that in the 90 trading days prior to and including the Last Full Trading Day (i.e. from 25 July 2025 to 2 December 2025, the “**90-Trading-Day Period**”), there were 81 trading days on which there were trading activities, and 9 trading days without trading activities. Although we do not consider the Shares to be actively traded, as analysed in the paragraph above, considering that (i) there were trading activities for a vast majority of the trading days (i.e. 90%) during the 90-Trading-Day Period where Shares changed hands on the Stock Exchange between willing buyers and sellers, and (ii) we did not note any unusual fluctuation in the closing prices of the Shares during the 90-Trading-Day Period, based on the share price chart as presented in the sub-section above headed “4(a) Historical price performance of the Shares”, we are of the view that the comparisons between the Cancellation Price and the historical prices of the Shares represent meaningful analyses for the Disinterested Scheme Shareholders when considering the merits of the Proposal against similar privatisation precedents.

(c) Comparison of value

The Cancellation Price of HK\$0.133 per Scheme Share represents:

- (a) a premium of approximately 77.33% over the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on 2 December 2025, being the Last Full Trading Day;
- (b) a premium of approximately 79.25% over the average closing price of approximately HK\$0.074 per Share as quoted on the Stock Exchange over the 5 trading days up to and including Last Full Trading Day;
- (c) a premium of approximately 80.22% over the average closing price of approximately HK\$0.074 per Share as quoted on the Stock Exchange over the 10 trading days up to and including the Last Full Trading Day;
- (d) a premium of approximately 75.23% over the average closing price of approximately HK\$0.076 per Share as quoted on the Stock Exchange over the 30 trading days up to and including the Last Full Trading Day;



- (e) a premium of approximately 71.28% over the average closing price of approximately HK\$0.078 per Share as quoted on the Stock Exchange over the 60 trading days up to and including the Last Full Trading Day;
- (f) a premium of approximately 71.86% over the average closing price of approximately HK\$0.077 per Share as quoted on the Stock Exchange over the 90 trading days up to and including the Last Full Trading Day;
- (g) a discount of approximately 77.65% to the unaudited consolidated net asset value attributable to the equity holders of the Company of approximately HK\$0.595 per Share as at 30 June 2025 as set out in the section above headed “3(ii) Financial information and prospects of the Group – Financial Position”; and
- (h) a discount of approximately 76.08% to the Adjusted NAV attributable to the Shareholders of approximately HK\$0.556 per Share, calculated based on the Adjusted NAV of approximately HK\$1,004.5 million, after taking into account the valuation of the Group’s property interests as at 30 November 2025, as further elaborated in the sub-section below headed “4(e) Property valuation and adjusted net asset value”.

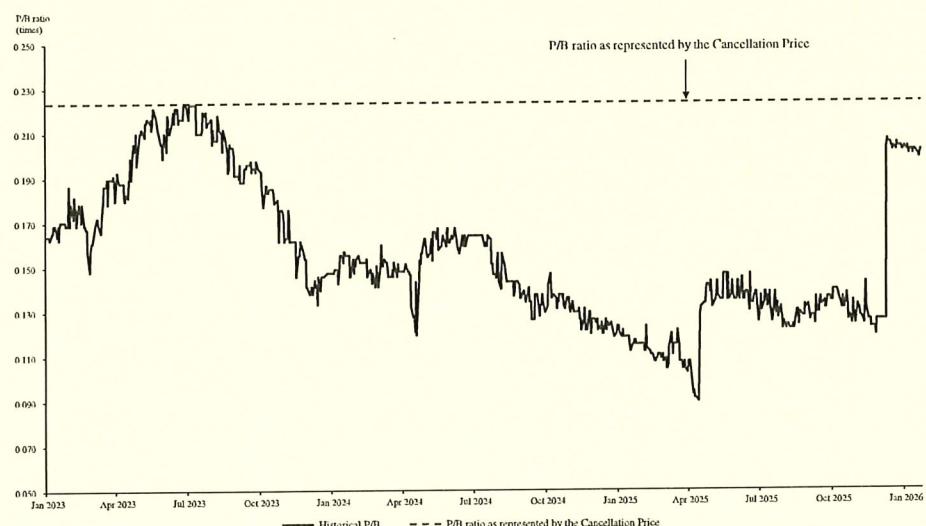
The Cancellation Price of HK\$0.133 per Scheme Share represents a premium of approximately 10.83% over the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the Latest Practicable Date. As explained above, we consider the market prices of the Shares following the Announcement have been influenced by the Cancellation Price.

In summary, the Cancellation Price per Scheme Share represents premiums of approximately 71.28% to 80.22% over the average closing prices of the Shares for different periods of up to the last 90 trading days prior to publication of the Announcement. The Cancellation Price represents discounts of approximately 77.65% or 76.08% to the Company’s net asset value per Share as at 30 June 2025 and the Adjusted NAV per Share respectively.



(d) Historical discount of market price of the Shares to the net asset value per Share

As mentioned above, the Cancellation Price of HK\$0.133 per Scheme Share represents a discount of approximately 77.65% to the Company's net asset value per Share as at 30 June 2025. While this is the case, we note that the historical prices of the Shares had been trading significantly below its net asset value during the Review Period. We have compared the P/B ratio of approximately 0.2235 times ($1 - 77.65\%$) as represented by the Cancellation Price with the movement of P/B ratios of the Company during the Review Period as follows:



Notes:

- (1) *The historical P/B ratio is calculated based on the closing price per Share on the respective days and the then consolidated net asset value attributable to the equity shareholders of the Company per Share as at the preceding year/period end*
- (2) *The closing price per Share on the respective days sourced from Bloomberg*

As shown in the chart above, the historical P/B ratios of the Company ranged from approximately 0.0896 times to 0.2228 times (or discounts of approximately 77.72% to 91.04% to net assets) during the Review Period before the publication of the Announcement, lower than the P/B ratio of the Company as represented by the Cancellation Price of approximately 0.2235 times at all times during this period. In particular, the closing price of the Shares of HK\$0.075 on the Last Full Trading Day represented a P/B ratio of approximately 0.1261 times (or a discount of approximately 87.39% to net assets), representing roughly one-eighth of the Group's net asset value per Share. The significant discounts of market price to the Group's net asset value may be in part due to, for example, the continued net losses of the Group and/or the low trading liquidity of the Shares, as explained in the sections above. The recent increase in P/B ratio is largely due to the increase in Share price following publication of the Announcement.



(e) Property valuation and adjusted net asset value

Property valuation

In evaluating the Proposal, we have reviewed the adjusted net asset value based on the Company's 2025 interim report and the adjustments relating to the revaluation deficit arising from the latest valuation of the Group's property interests.

The Property Valuer was engaged by the Company to derive at an appraised value of the property interests of the Group, all of which represents the Group's investment properties, and all of which are completed properties. The aggregate value of the properties as appraised by the Property Valuer was HK\$835.6 million as at 30 November 2025. Details of the valuation are set out in the Property Valuation Report set out in Appendix II to the Scheme Document. The valuation has been prepared in compliance with, among others, the requirements contained in Chapter 5 of the Listing Rules, Rule 11 of the Takeovers Code and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors.

The market value of the Group's property interests in existing state may be analysed as follows:

Market value in existing state as at 30 November 2025	
	<i>HK\$'000</i>
Serviced apartment	322,000
Industrial and office premises	300,700
Shops	206,100
Carpark	6,800
	<hr/>
	835,600

Based on the above table, the Group's serviced apartment in North Point, namely Princeton Residence, is the Group's largest investment property in its portfolio as at 30 November 2025, in terms of market value. The Group also owned certain industrial and office premises, shops, and to a smaller extent, carpark spaces, across different locations in Hong Kong.



We have reviewed the Property Valuation Report and discussed with the Property Valuer methodologies of, and bases and assumptions adopted, for the valuations and adjustments made to arrive at the valuation of the Group's property interests. In arriving at the valuation, the Property Valuer mainly adopted the direct comparison method, and adopted the income capitalisation method for cross-reference purpose where necessary. As advised by the Property Valuer, both the direct comparison method and the income capitalisation method are commonly used valuation methodologies for assessing values of non-residential properties in Hong Kong. Under the direct comparison method, the Property Valuer compared the property to be valued directly with other comparable properties, which have recently transferred their legal ownership, and applied appropriate adjustments to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration. Under the income capitalisation method, the Property Valuer arrived at the subject property's value by capitalising the net income potential by adopting appropriate capitalisation rate, which is derived from the analysis of sale transactions and the Property Valuer's interpretation of prevailing investor requirements or expectations, and the market rents adopted made reference to lettings of comparable premises.

The Property Valuer also assessed the Group's investment properties as at 31 December 2024 and 30 June 2025. In this connection, the Property Valuer has confirmed that the same valuation methodology for each property used in such past valuations has been consistently adopted in the Property Valuation Report. We concur with the Property Valuer that the direct comparison method as adopted as the primary valuation methodology, as the Property Valuer has obtained sufficient comparable sales transaction and information for each of the properties being assessed under the direct comparison method.

The market value of the Group's property interests as at 30 November 2025 of HK\$835.6 million was approximately 7.7% lower than that as at 30 June 2025 of approximately HK\$905.7 million. As advised by the Property Valuer, the commercial real estate market, including office and retail premises, remained challenging in 2025, and was further dampened by the difficulties for the potential purchasers to obtain financing from financial institutions, given that certain financial institutions were actively lowering relevant risk exposure on non-performing commercial real estate loans by selling the mortgaged premises.



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

Adjusted NAV

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

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

Notes:

- (1) The fair value adjustments are calculated based on (a) the difference between (i) the total market value of the property interests of the Group as at 30 November 2025 of HK\$835,600,000 and (ii) the unaudited book value of the property interests of the Group as at 30 June 2025 of HK\$905,700,000, and (b) an adjustment of approximately HK\$293,000 relating to non-controlling interest in certain investment properties of the Group
- (2) Based on 1,805,282,608 Shares in issue as at 30 June 2025



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

(f) Peer comparison

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

We have conducted research on companies listed on the Main Board of the Stock Exchange which are principally engaged in property agency business in Hong Kong, with at least 50% of revenue contributed from such segment in their latest financial year. Based on the aforesaid criteria, we have only identified Midland, which is also engaged in property agency business in Hong Kong but instead focuses on residential properties, unlike the Group's principal business in the non-residential property market. P/B ratio and P/E ratio, the two commonly used valuation benchmarks, were analysed. In terms of earnings, Midland has P/E ratios as at the Latest Practicable Date of approximately 5.14 times based on its Adjusted Profit (i.e. excluding fair value loss on investment properties, before taking into account any impact on tax or non-controlling interest) in 2024, or approximately 5.54 times based on its Adjusted Profit for the TTM ended 30 June 2025. These P/E ratios are lower than that of the Group as represented by the Cancellation Price of approximately 8.62 times and 8.33 times respectively (also based on Adjusted Profits). In terms of net assets, Midland has P/B ratio as at the Latest Practicable Date of approximately 1.46 times, higher than that of the Company as represented by the Cancellation Price of approximately 0.22 times. The different results of the P/E and P/B ratio analyses may be in part due to the different balance sheet compositions of the two companies. While a majority of the Group's total assets



represents investment properties which are non-current and capital in nature, a majority of Midland's total assets represents trade and other receivables which are working capital items, and Midland does not hold significant investment property interests.

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

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



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

Source: Bloomberg and website of the Stock Exchange

Notes:

- (1) The market capitalisations as at the Latest Practicable Date are based on the product of their respective number of issued shares (excluding treasury shares (if any)) as set out in their respective monthly return for the month ended 31 December 2025 and their respective closing price per share as quoted on the Stock Exchange as at the Latest Practicable Date. In respect of the Company, the implied market capitalisation is based on the 1,805,282,608 Shares in issue as at the Latest Practicable Date and the Cancellation Price of HK\$0.133 per Scheme Share
- (2) The P/B ratios are calculated by dividing their respective market capitalisation by their respective consolidated net asset value attributable to the shareholders as extracted from their respective latest published financial statements
- (3) The latest full-year P/E ratios are calculated by dividing their respective market capitalisation by their respective consolidated net profit attributable to the shareholders (excluding any fair value gains/losses on investment properties, before taking into account any effect on tax or non-controlling interest) for the latest financial year, as extracted from their respective latest published full-year financial statements



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

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

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

(g) Privatisation precedents

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



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

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

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

Source: Bloomberg and website of the Stock Exchange

Notes:

- (1) The relevant premiums/(discounts) are calculated based on the respective closing price/average closing price per share up to and including the last full trading day of the shares prior to the publication of the Rule 3.5 announcement
- (2) The relevant discounts are calculated based on the cancellation consideration and the adjusted net asset value per share, as disclosed in the respective scheme document



- (3) *The relevant premiums (discounts) of Thing On Enterprise Limited are calculated based on the cancellation consideration under the cash alternative*
- (4) *The relevant premiums/(discounts) of Asia Standard are calculated based on the total consideration per share of HK\$0.11 comprising 0.15 share of Asia Standard International Group Ltd (stock code: 129.HK, "ASI") (based on its closing share price as at the last trading day of HK\$0.5 per share) plus cash payment of HK\$0.035 per share. For reference only, if the closing share price of ASI as at the latest practicable date of the relevant scheme document of HK\$0.38 per share was used, the resulting total consideration per share of HK\$0.092 would represent a discount of approximately 98.6% to the adjusted net asset value of Asia Standard per share, as disclosed in the relevant scheme document*
- (5) *The principal businesses of the companies under the Privatisation Precedents, sourced from Bloomberg, are as follows:*

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

- (6) *Subject to rounding differences*

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

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

Based on the above, while the discount to the Adjusted NAV as represented by the Cancellation Price is higher than three of the four Privatisation Precedents, the Proposal on the other hand offers significant premiums over historical market prices ranging from approximately 71.28% to 80.22%, higher than most of the premiums offered under the Privatisation Precedents. We also note that the Cancellation Price



represents a P/B ratio higher than the mean and median P/B ratios of the Property Investment Peers, as analysed in the sub-section above headed “4(f). Peer comparison”. In our view, considering the backdrop of the Company’s specific circumstances regarding its net losses (mainly resulting from fair value loss on investment properties) and absence of dividend distribution to Shareholders from 2022 to the first half of 2025 and the low trading liquidity of the Shares as discussed in the sub-section above headed “4(b). Trading liquidity of the Shares”, the Proposal provides an exit opportunity for the Disinterested Scheme Shareholders at a fixed cash price, enabling them to enjoy relatively high premiums over historical market prices.

DISCUSSION

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

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

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



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

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



its approximately 76.08% discount to the Adjusted NAV, is fair and reasonable, and that the Proposal provides an exit opportunity at a fixed cash price, which represents substantial premiums over historical market prices.

OPINION AND RECOMMENDATION

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

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine

M. N. Sabine
Chairman

John Wong
Director

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

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