YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

31 March 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF ENTIRE EQUITY INTEREST IN
TARGET COMPANY**

Reference is made to the announcement of the Company dated 28 February 2025 in connection with the Disposal, details of which are set out in the section headed "Letter from the Board" (the "**Letter**") in the circular of the Company dated 31 March 2025 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 February 2025, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the sale and purchase of the entire equity interest in the Target Company and the Sale Loan due from the Target Company to the Vendor at a Consideration of approximately HK$79.8 million (subject to adjustments), which consists of (1) the net asset value of the Target Group with reference to the fair market valuation of the Property; and (2) the Sale Loan.

IMPLICATIONS UNDER LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Emperor W&J and the Company are both indirectly controlled by the respective private discretionary trusts which were all set up by Dr. Yeung, who is a deemed substantial shareholder of the Company. As such, the Purchaser (a direct wholly-owned subsidiary of Emperor W&J) is a deemed connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Room 1801, 18/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong Tel : 2877 2340 Fax : 2877 2666
香港灣仔告士打道138號聯合鹿島大廈18樓1801室

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Disposal.

Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Company ("**Relevant Information**"). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any fact or circumstance which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we comply with Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Disposal to the Independent Board Committee and the Independent Shareholders.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. INFORMATION OF THE GROUP

(a) Background of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and property development in the Greater China and overseas.

(b) Financial information on the Group

Summary of financial information of the Group is extracted from the annual report of the Company for the year ended 31 March 2024 ("**FY2024**") and the interim report of the Company for the six months ended 30 September 2024 ("**HY2024**") in Table-1 and Table-2 below:

Table-1: Consolidated statement of profit or loss

HK$' million	**Year ended 31 March**		**Six months ended 30 September**	
	2023	**2024**	**2023**	**2024**
	(Audited)	*(Audited)*	*(Restated and unaudited)*	*(Unaudited)*
Revenue	1,211	1,762	438	459
– Rental income	871	879	426	377
– Property sales	79	142	12	82
– Hotel and hotel related operations	261	741	–	–
Cost of sales	(621)	(740)	(79)	(124)
Gross profit	**590**	**1,022**	**359**	**335**
Fair value changes of investment properties	(1,804)	(1,318)	(464)	(731)
Finance costs	(690)	(919)	(466)	(413)
Other expenses (net of other income and gains)	(395)	(871)	(194)	(245)
Loss before taxation	**(2,299)**	**(2,086)**	**(765)**	**(1,054)**
Taxation credit	97	57	(4)	12
Loss for the year/loss for the period from continuing operation	**(2,202)**	**(2,029)**	**(769)**	**(1,042)**
(Loss)/profit from discontinued operation	–	–	12	(2,520)
Loss for the period	**–**	**–**	**(757)**	**(3,562)**

Table-2: Consolidated statement of financial position

HK$' million	As at 31 March 2023 (Audited)	As at 31 March 2024 (Audited)	As at 30 September 2024 (Unaudited)
Non-current assets			
Investment properties	37,945	34,394	30,987
Property, plant and equipment	2,723	2,593	320
Interest in a joint venture	1,328	1,334	1,254
Others	754	753	282
	42,750	**39,074**	**32,843**
Current assets			
Properties under development for sale	4,861	5,164	4,567
Bank balances and cash/short-term bank deposits/pledged bank deposits/deposit in designated bank account for development properties	2,444	1,504	989
Properties held for sale	583	282	176
Others	490	564	683
	8,378	**7,514**	**6,415**
Current liabilities			
Unsecured notes/bank borrowings – due within one year	(8,671)	(6,726)	(6,261)
Amount due to an associate/a related company/non-controlling interests of subsidiaries	(1,581)	(1,674)	(668)
Others	(905)	(978)	(868)
	(11,157)	**(9,378)**	**(7,797)**
Non-current liabilities			
Unsecured notes/bank borrowings – due after one year	(12,329)	(11,945)	(11,444)
Others	(1,834)	(1,718)	(1,604)
	(14,163)	**(13,663)**	**(13,048)**
Equity attributable to owners of the Company	23,887	21,608	18,413
Non-controlling interests	1,921	1,939	–
Total equity	**25,808**	**23,547**	**18,413**

For FY2024, the revenue of the Group was approximately HK$1.76 billion, representing a year-on-year increase of 45.5%. The increase was mainly attributable to the recovery of the tourism and hospitality sectors, the Group's revenue from hotel and hotel-related operations increased by approximately 183.9% from approximately HK$261 million in the financial year ended 31 March 2023 ("**FY2023**") to approximately HK$741 million in FY2024. Revenue from property sales also increased by approximately 79.7% in FY2024, while rental income from investment properties remained stable. Consequently, gross profit of the Group recorded a year-on-year increase of 73.2%.

Affected by the weak property market in Hong Kong, the Group recorded a decrease of approximately HK$1,318 million in fair value of its investment properties in FY2024. The finance costs of the Group increased by approximately 33.2% mainly due to the increase in interest rates. In FY2024 the Group's loss for the year narrowed to approximately HK$2.03 billion.

Operating segment regarding the hotel and hotel related operations were discontinued during HY2024. The revenue of the Group during HY2024 was approximately HK$459 million, representing a year-on-year increase of 4.8%. The increase was mainly attributable to the increase in sales of properties by approximately HK$69.4 million in HY2024, representing a year-on-year growth of over 550%. Rental income from investment properties decreased by approximately HK$48.4 million, representing a year-on-year decrease of approximately 11.4%. Overall, gross profit of the Group recorded a year-on-year decrease of 6.7% to HK$335 million.

Affected by the continuing weak property market in Hong Kong, the Group recorded a decrease of approximately HK$731 million in fair value of its investment properties in HY2024. The Group also recorded a write-down of properties under development for sale of approximately HK$272 million in HY2024 as compared to HK$41 million recorded in HY2023.

Loss for the period from continuing operation in HY2024 was approximately HK$1.04 billion as compared to approximately HK$769 million recorded in HY2023. Combining a loss from the discontinued operation, the Group recorded a loss attributable to the owners of the Company of HK$3.56 billion in HY2024, as compared to approximately HK$757 million recorded in HY2023.

Financial position

The Group's non-current assets principally consisted of investment properties and property, plant and equipment. Value of investment properties had declined between 31 March 2022 and 30 September 2024, which is in line with the weak property market in Hong Kong.

As at 30 September 2024, the aggregate value of properties under development for sale and those held for sale was approximately HK$4.74 billion, representing a decreased by approximately 12.9% from 31 March 2024.

The Group's total equity had decreased by 21.7% from approximately HK$23.5 billion as at 31 March 2024 to approximately HK$18.4 billion as at 30 September 2024, reflecting its loss making situation over the period, which was mainly attributable to the decrease in fair value of its investment properties, properties under development for sale and those held for sale.

(c) Outlook of the Group

As disclosed in the HY2024 interim report, as a result of the Federal Reserve interest rate cut and the relaxation of the loan-to-value ratio by the Hong Kong government which has helped lower the cost of house-buying, investment sentiments of home buyers and investors have revived; and property developers have been proactively pushing ahead with sales launches, contributing to an increase in the number of transactions of both new and second-hand residential properties. The Group will closely observe the market conditions, and adjust its timetable for launching development property projects as appropriate in order to seize opportunities as they arise.

The Group expected that the office and retail leasing markets will remain competitive in the near term. The Group will continue maintaining close dialogues with its tenants, in order to promptly adjust its strategies, with an aim of achieving steady business performance.

II. THE DISPOSAL

On 28 February 2025, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the sale and purchase of the entire equity interest in the Target Company and the Sale Loan due from the Target Company to the Vendor at a Consideration of approximately HK$79.8 million (subject to adjustments), which consists of (1) the net asset value of the Target Group with reference to the fair market valuation of the Property; and (2) the Sale Loan. Details of the Sale and Purchase Agreement are set out in the Letter.

Basis of determination of consideration for the Disposal

The Consideration payable (subject to adjustments) by the Purchaser to the Vendor was arrived at arm's length negotiations between the Vendor and the Purchaser on normal commercial terms and shall be determined by the following formula:

$$\text{Consideration} = A + B - C$$

where:

"A" means HK$80.3 million, being the agreed value of the Property;

"B" means the carrying value/book value of the tangible assets of the Target Group (but excluding the Property and the fittings and equipment, if any) as at the Completion Date as shown in the Pro-forma Completion Accounts; and

"C" means the amount of all liabilities of the Target Group, including actual or contingent, accrued and deferred liabilities but excluding the Sale Loan, as at the Completion Date as shown in the Pro-forma Completion Accounts.

In accordance with the formula as set out above, the Consideration is estimated to be approximately HK$79.8 million with reference to the Management Accounts, consisting of:

a) the market valuation of the Property of HK$80.3 million as at 13 February 2025 (the "**Valuation Date**") as assessed by Vincorn Consulting and Appraisal Limited, the independent professional valuer (the "**Independent Property Valuer**"), details of which are set out in Appendix I to the Circular;

b) the carrying value/book value of the tangible assets of the Target Group (excluding the Property) of approximately HK$0.1 million as at 31 January 2025; and

c) the amount of all liabilities of the Target Group of approximately HK$0.6 million as at 31 January 2025 (excluding the Sale Loan of approximately HK$138.4 million).

The Consideration payable shall be subject to the adjustments following agreement or determination of the Completion Accounts and the Final Consideration in accordance with the terms of the Sale and Purchase Agreement in the following manner:

a) If the Final Consideration is less than the Consideration as determined by reference to the Pro-forma Completion Accounts, the Consideration shall be adjusted downward by such difference; or

b) If the Final Consideration is higher than the Consideration as determined by reference to the Pro-forma Completion Accounts, the Consideration shall be adjusted upward by such difference.

Such difference shall be settled between Vendor and Purchaser within 5 Business Days after receipt of the Completion Accounts in accordance with the Sale and Purchase Agreement.

Given (i) the Consideration is derived based on the amount of net asset value of the Target Group as at Completion and the amount of Sale Loan will be sold on a dollar-for-dollar basis; (ii) the fair market valuation of the Property, being the basis for determining the Consideration, is assessed by the Independent Property Valuer; and (iii) the adjustment of the Consideration will be based on the difference in net asset value of the Target Group as calculated with reference to the Pro-forma Completion Accounts and the Completion Accounts on a dollar-for-dollar basis, we are of the view that the Consideration (including the adjustment mechanism) is fair and reasonable.

Evaluation of the Consideration

According to the valuation report of the Property as set out in Appendix I to the Circular (the "**Property Valuation Report**"), the fair market valuation of the Properties amounted to HK$80.3 million as at the Valuation Date. To assess the fairness and reasonableness of the valuation, we have reviewed the Property Valuation Report and discussed with the Independent Property Valuer in relation to (i) their scope of work for conducting the valuation on the Property; (ii) their relevant professional qualifications as a property valuer; and (iii) the methodologies, basis and assumptions used in performing the valuation on the Property.

In order to assess the expertise and independence of the Independent Property Valuer, we have reviewed and enquired into (i) the terms of engagement of the Independent Property Valuer with the Company; and (ii) the Independent Property Valuer's qualification and experience in relation to the preparation of the Property Valuation Report. The Independent Property Valuer has confirmed that it is independent to the Group and Emperor W&J. From the engagement letter, we noted that there were no limitations on the scope of work for conducting the valuation and the scope of work is appropriate to the opinion given. The Independent Property Valuer carried out a site visit and inspected the Property in February 2025, and has been provided with copies of documents in relation to the title of the Property. From the qualification and experience of person who is responsible for signing off the Property Valuation Report, we noted that Mr. Vincent Cheung has obtained the relevant professional qualifications and has over 27 years of experience in the valuation of properties. Having considered the above, we consider that the scope of work of the Independent Property Valuer under the terms of engagement is appropriate and the Independent Property Valuer possesses sufficient relevant experience in performing the valuation of the Property.

We note that the Property Valuation Report has been prepared in accordance with the HKIS Valuation Standards 2024 published by The Hong Kong Institute of Surveyors effective from 31 December 2024 and with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2025 as well as the requirements set out in Chapter 5 of the Listing Rules.

In arriving at the fair market valuation of the Property, we note that the Independent Property Valuer has adopted the market approach (the "**Market Approach**"), which involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. We understand from the Independent Property Valuer that the market approach is one of the commonly adopted approaches for valuation of property. We note that the Independent Property Valuer has selected five sale comparables which are of similar nature and are located in the close proximity to the Property and were conducted within 12 months from the date of the Announcement.

In order to assess the fairness and representativeness of these sale comparables, we have obtained and reviewed the lists of sale comparables and discussed with the Independent Property Valuer on the selection criteria of such sale comparables. We are given to understand that the sale comparables were selected by the Independent Property Valuer based on their respective locality, size, usage and condition which share the most similarities with the Property. For due diligence purpose, we have independently conducted desktop search to obtain the available information of the sale comparables identified by the Independent Property Valuer for verification purpose. No inconsistencies were found and we considered that the sale comparables selected by the Independent Property Valuer in accordance to the abovementioned selection criteria are representative.

We noted that (i) unit rates of the sale comparables ranged from HK$21,495 to HK$39,452 per sq.ft and a unit rate of approximately HK$27,884 per sq.ft (which represents the equally weighted average unit rate of the sale comparables after adjustments) was adopted for the valuation of the Property; and (ii) the size of the sale comparables ranged from 62 to 144 sq.ft. Given each of the sale comparables is different in terms of building age, location, floor level, transaction time, size or accessibility, where applicable, as compared to the Property, appropriate adjustments and analysis have been considered and made by the Independent Property Valuer accordingly, to arrive at an adjusted effective saleable unit rate. In order to assess the fairness and representativeness of the adjustments applied to the sale comparables, we have discussed with the Independent Property Valuer on the adjustments made to reflect different attributes between the Property and the sale comparables. We are given to understand that the Independent Property Valuer considered the different attributes between the Property and the sale comparables in terms of transaction time, location, size, building age and other relevant factors and made adjustments accordingly. The general basis of adjustments of such attributes is that (i) if the sale comparable is superior to the subject Property, a downward adjustment would be made to adjust down the unit rate of that sale comparable; or (ii) if the sale comparable is inferior to the subject Property, an upward adjustment would be made to adjust up the unit rate of that sale comparable. We have also obtained the underlying workings and reviewed the calculations of the adjustments made by the Independent Property Valuer to the unit rates of the sale comparables and consider the adjustments to be logical and able to reflect different attributes between the Property and the sale comparables, and therefore, are reasonable. Despite the wide range of the unit rates of the sale comparables and that the size of the sale comparables are smaller than the Property, given (i) the sale comparables are of similar nature and located within the commercial district of the Property; and (ii) appropriate adjustments had been made to reflect the different attributes between the Property and the sale comparables and derive on the adopted unit rate, we consider that the selection criteria is appropriate and the sale comparables are comparable.

We have performed market research on recent circulars published by companies listed on the Stock Exchange from 1 November 2024 to the date of the Announcement in relation to acquisition or disposal of company with a majority of assets being property interests or properties from/to connected person ("**Valuation Comparables**"). A total of 9 Valuation Comparables were identified which were representative and exhaustive as follows:

Table 3 – Valuation Comparables

Date of circular	Company name (stock code)	Asset to be acquired/disposed	Description of property	Valuation approach for the subject property	Adjustment factors
26-2-2025	Mexan Limited (22)	Disposal of property	Hotel in Hong Kong and furnitures	Market approach	Date of transaction, location, size, building age, and view
25-2-2025	Future World Holdings Limited (572)	Acquisition of property	Residential property	Market approach	Date of transaction, building age, floor level, size, view, and building condition
24-1-25	China Agri-Products Exchange Limited (149)	Acquisition of 100% equity interests in a company	Agricultural markets located in Shenzhen	Income capitalisation approach	Date of transaction, location, accessibility, building age, building quality, trade mix and size
13-1-2025	Excellence Commercial Property & Facilities Management Group Limited (6989)	Acquisition of property and 50% equity interest of a company	Commercial properties in Shanghai and Guangdong	Market approach	Location and accessibility, building quality, view, layout
6-1-2025	Dowell Service Group Co. Limited (2352)	Acquisition of 100% equity interests in a company	Elderly centre in Chengdu City	Investment method	Date of transaction, location, layout, level and size
19-12-2024	Kinetic Development Group Limited (1277)	Acquisition of 100% equity interests in two companies	Property projects in PRC including buildings for commercial and residential use	Market approach	Location, size, transaction date, plot ratio and the perfect degree of infrastructure

Date of circular	Company name (stock code)	Asset to be acquired/disposed	Description of property	Valuation approach for the subject property	Adjustment factors
3-12-2024	Beijing Media Corporation Limited (1000)	Disposal of property	Office units located in Beijing, PRC	Market approach	Date of transaction, building age, floor level, size, view, and property rights status
29-11-24	Jinke Smart Services Group Co., Ltd. (9666)	Acquisition of property	Commercial properties and car parking spaces in multiple cities in PRC	Market approach	Date of transaction, market conditions, size, location, building age, building quality
7-11-2024	China Wantian Holdings Limited (1854)	Disposal of 100% equity interests in a subsidiary	Industrial units in Hong Kong	Market approach	Date of transaction, layout, floor level, size, and location

According to the table above, we noted that (i) 7 out of 9 Valuation Comparables adopted Market Approach for valuation of property; and (ii) among the 7 transactions that adopted the Market Approach, the adjustment factors adopted by the respective independent valuers in general are largely in line with the practice of the Independent Property Valuer when conducting valuation on the Property. Accordingly, we concur with the Independent Property Valuer that the Market Approach as well as the adjustments applied by the Independent Property Valuer, are appropriate for valuation of the Property.

Having considered that (i) the Independent Property Valuer has the relevant qualification, competence and experience to prepare the Property Valuation Report; (ii) the Independent Property Valuer's scope of work is appropriate for performing the valuation on the Property; and (iii) the valuation methodologies, basis and assumptions for valuing the Property are fair and reasonable, we are of the view that the fair market valuation of the Property was fairly and reasonably determined.

III. INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI and indirectly wholly-owned by the Company. The principal business of the Target Company is investment holding. The Property Company is a company incorporated in Hong Kong with limited liability and directly wholly-owned by the Target Company. The Property Company is engaged in the business of property investment and holds the Property.

For the two years ended 31 March 2023 and 2024, the unaudited financial information of the Target Group is as follows:

	For the year ended 31 March	
	2024	**2023**
	HK$'000	*HK$'000*
	(approximately)	*(approximately)*
Revenue	1,183	1,074
Loss before taxation	2,766	6,937
Loss after taxation	2,743	6,989

The unaudited combined total asset value and net liabilities of the Target Group as at 31 January 2025 were approximately HK$80.3 million and approximately HK$58.6 million respectively. The Sale Loan amounted to approximately HK$138.4 million as at 31 January 2025.

IV. REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the Letter, the Group examines its investment portfolio regularly in order to optimise the investment returns. After a regular review of its investment portfolio, the Group is of the view that the Property consists of the upper three storeys of the building only, with limited chances of further enhancement of rental yield or substantial value appreciation by redevelopment. Taking into account the above reason, the Group believes that it is time to dispose of the Property.

We noted that the Property generated income of approximately HK$1.07 million and HK$1.18 million to the Group for FY2023 and FY2024 respectively, presenting a gross yield of approximately 1.33% to 1.47% based on the value of the Property of HK$80.3 million. The gross yield of the Property is significantly lower than gross yield of the lease of properties segment of the Group of approximately 2.56% for FY2024 (based on the segment revenue from lease of properties of the Group of approximately HK$879.3 million for FY2024 and the value of the investment properties of the Group of approximately HK$34,394.0 million as at 31 March 2024). As at 30 September 2024, the net current liabilities of the Group amounted to approximately HK$1,382.3 million. We also noted that the Disposal is in line with the Group's strategic position to maintain a balanced property portfolio to diversify business risks and achieve steady development as disclosed in the annual report of the Group for FY2024. As such, we concur with the Management's view that the Disposal enables the Group to realise the value of the Property at market price and enhance the Group's financial position and increase its general working capital.

According to the Company, the proceeds from the Disposal of approximately HK$79.8 million (subject to adjustment) will be utilised as general working capital for the operation of the Group, including, (i) providing construction capital and marketing expenses for ongoing property development projects; (ii) providing capital for potential renovation and improvement works for leasing properties; and (iii) general administrative expense such as staff costs and professional fees.

Taking into account the reasons and benefits described above, we concur with the Board that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

As stated in the Letter, upon the Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

Taking into account (i) the Consideration of approximately HK$79.8 million; (ii) the unaudited combined net liabilities of the Target Group as stated in the Management Accounts as at 31 January 2025 in the amount of approximately HK$58.6 million after adjustment on the book value of the Property to HK$80.3 million as indicated in a preliminary valuation prepared by an independent professional valuer; and (iii) the amount of Sale Loan of approximately HK$138.4 million as at 31 January 2025, the Directors do not expect to recognise any gain/loss from the Disposal.

The aforesaid estimation is for illustrative purpose only and does not purport to represent the financial position of the Group after Completion. The actual financial effects of the Disposal will be determined with reference to the financial status of the Target Group as at the Completion Date.

Our analysis on the financial impact of the Disposal on the Group's earnings, working capital and net assets are set out below. However, it should be noted that the below analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon the Completion.

Earnings

For FY2024, the Group and the Target Group recorded net loss of approximately HK$2,028.6 million and HK$2.7 million respectively. Upon Completion, the Target Group will cease to be subsidiaries of the Company and their financial information will no longer be consolidated into the Company's consolidated financial statements. Accordingly, the Group will no longer share the loss of the Target Group.

Working capital

As the Consideration would be settled in cash by the Purchaser to the Vendor, it is expected that the Group shall have an immediate cash inflow of approximately HK$79.8 million (subject to adjustments) and hence its working capital position would be improved upon Completion.

Net assets

As at 30 September 2024, the net assets of the Group amounted to approximately HK$18,412.9 million. Based on the Management Accounts, the Target Group had net liabilities of approximately HK$58.6 million as at 31 January. It is expected that the Disposal would not have material impact on the net assets of the Group.

RECOMMENDATION

Having considered the principal factors analysed above, we are of the view that (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED

Warren Lee
Managing Director

Mr. Warren Lee of Yu Ming Investment Management Limited is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.