

28 June 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**POSSIBLE OFF-MARKET SHARE BUY-BACK
CONSTITUTING A CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders on the Share Buy-back and the Share Buy-back Agreement, details of which are set out in the section headed "Letter from the Board" (the "**Letter from the Board**") contained in the circular dated 28 June 2019 (the "**Circular**") issued by the Board to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Share Buy-Back

Reference is made to (i) the Announcement in relation to the Deed of Undertaking, the Share Buy-back, the Share Buy-back Agreement, the Transfer and the S&P Agreement; and (ii) the announcement of the Company dated 13 June 2019 in relation to the extension of long stop date of the Deed of Undertaking and the Long Stop Date of the S&P Agreement. On 26 April 2019 (after trading hours), Grand Fort, Mr. Chim and Mr. Law (collectively being the Covenantors) executed the Deed of Undertaking (as amended and supplemental on 16 May 2019) in favour of the Company undertaking to execute the Share Buy-back Agreement relating to an off-market share buy-back by the Company from Grand Fort of 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to the terms of the Share Buy-back Agreement, the total consideration of the Buy-back Shares is approximately HK\$155.68 million (equivalent to HK\$5.10 per Buy-back Share).

Following Share Buy-back Completion, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all Shareholders in the issued share capital of the Company will be proportionally increased following the cancellation to the Buy-back Shares and the resulting reduction in the number of issued Shares.

The Transfer

On 26 April 2019 (after trading hours), being the same date of execution of the Deed of Undertaking, the Board was informed by Mr. Chan that, Grand Fort (as seller), Mr. Chim and Mr. Law (as the Guarantors), and Smartprint (as purchaser) have entered into the S&P Agreement, pursuant to which Smartprint conditionally agreed to acquire and Grand Fort conditionally agreed to sell the 30,525,638 Sale Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date. Smartprint is a company wholly owned by Mr. Chan.

Share Buy-back Completion and S&P Completion are inter-conditional and shall take place simultaneously.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Grand Fort, being the seller of the Share Buy-back, is a substantial Shareholder holding 61,051,277 Shares, which represent approximately 19.84% of the entire issued share capital of the Company, and is thus a connected person of the Company. Accordingly, the entering into of the Share Buy-back Agreement shall constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BUY-BACKS CODE IMPLICATIONS

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at a general meeting of the Company.

The execution of the Share Buy-back Agreement is conditional upon, among other things, the Share Buy-back having been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive has granted the relevant approval. There is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As at the Latest Practicable Date, the Chan Concert Group is interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company. Out of the 174,564,896 Shares, (i) 2,036,000 Shares (representing approximately 0.66% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Chan; (ii) 792,000 Shares (representing approximately 0.26% of the entire issued share capital of the Company as at the Latest Practicable Date) are beneficially held by Mr. Andrew Chan; and (iii) 171,736,896 Shares (representing approximately 55.80% of the entire issued share capital of the Company as at the Latest Practicable Date) are held as to 145,914,000 Shares (representing approximately 47.41% of the entire issued share capital of the Company as at the Latest Practicable Date) by Noranger and as to 25,822,896 Shares (representing approximately 8.39% of the entire issued share capital of the Company as at the Latest Practicable Date) by Evergrade.

The issued share capital of Noranger is beneficially wholly owned by Beyers and the issued share capital of Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers. Beyers is ultimately, indirectly and wholly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan and the beneficiaries of which are Mr. Chan and his family members. Immediately upon Share Buy-back Completion, S&P Completion cancellation of the Buy-back Shares, the Chan Concert Group will be interested in an aggregate of 205,090,534 Shares, representing approximately 73.98% of the entire issued share capital of the Company.

As Smartprint is wholly owned by Mr. Chan and the S&P Agreement is inter-conditional with the Share Buy-back Agreement, Mr. Chan and his family members, including Mr. Andrew Chan, Ms. Emily Chan and Ms. Mary-ellen Chan, and the corporations controlled by Mr. Chan, namely Noranger and Evergrade, have material interests and involved in the Share Buy-back. As such, Mr. Chan, Mr. Andrew Chan, Ms. Emily Chan, Ms. Mary-ellen Chan have abstained from voting on the relevant Board resolutions to approve the Share Buy-back. Save for the abovementioned Directors, no other Director has a material interest in the Deed of Undertaking, the Share Buy-back Agreement and the Share Buy-back, and is required to abstain from voting on the relevant Board resolutions.

Grand Fort, Mr. Chan, Mr. Andrew Chan, Noranger and Evergrade have a material interest and involved in the Share Buy-back which is different from the interests of all other Shareholders, and shall abstain from voting on the resolution to be proposed at the EGM for approving the Share Buy-back Agreement and the Share Buy-back.

OTHER TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, Noranger is interested in 145,914,000 Shares, representing approximately 47.41% of the entire issued share capital of the Company. Immediately after Share Buy-back Completion and cancellation of the Buy-back Shares, the shareholding of Noranger in the Company will increase from approximately 47.41% to 52.63%

giving rise to an obligation on the part of Noranger to make a general offer for all the Shares not already owned or agreed to be acquired by Noranger and the parties acting in concert with it under Rule 26.1 of the Takeovers Code.

The Board has been informed that Noranger has applied to the Executive for a waiver in respect of the obligation of Noranger to make a general offer for all the issued Shares not already owned or agreed to be acquired by Noranger and parties acting in concert with it which may otherwise arise as a result of the Share Buy-back. If the waiver is not granted to Noranger, the parties to the Deed of Undertaking will not enter into the Share Buy-back Agreement and the Share Buy-back will not proceed.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. TSE Lai Han, Henry and Ms. CHEUNG Chong Wai, Janet has been established to advise the Independent Shareholders as to (i) whether the Share Buy-back and the terms of the Share Buy-back Agreement are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote at the EGM to approve the Share Buy-back. We, Founder Securities Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Grand Fort or their respective substantial Shareholders or close associates or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there has been no other engagement between the Company and us. Apart from the normal professional fees payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, Grand Fort or their respective substantial Shareholders or close associates. Accordingly, we are considered to be eligible to give an independent advice on the Share Buy-back and the Share Buy-back Agreement.

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Share Buy-back and the terms of the Share Buy-back Agreement are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote at the EGM to approve the Share Buy-back and the Share Buy-back Agreement.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, (i) the Deed of Undertaking; (ii) the Share Buy-back Agreement; (iii) the S&P Agreement; (iv) the annual reports of the Company for the financial year ended 31 March 2017 (the **"2017 Annual Report"**) and the 2018 Annual Report; (v) the 2019 Annual Results Announcement; (vi) the valuation report for the properties of the Group situated in Hong Kong (the **"Hong Kong Valuation Report"**) and the valuation report for the property of the Group situated in Canada (the **"Canadian Valuation Report"**, collectively the **"Valuation Reports"**) as set out in Appendix III to the Circular; and (vii) other information as set out in the Circular.

In addition, we have relied on (i) the statements, information, opinions and representations expressed to us by the Company and/or the Directors and/or the management of the Group; (ii) the information, facts and representations contained or referred to in the Circular; and (iii) our review of the relevant public information and statistics. We have assumed that all such statements, information, opinions and representations expressed to us by the Company and/or the Directors and/or the management of the Group, for which they are solely responsible, are true, accurate and complete in all material aspects and not misleading or deceptive at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all the opinions and representations have been reasonably made by the Company and/or the Directors and/or the management of the Group after due and careful enquiry.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth, accuracy and the completeness of the information provided. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, conducted any independent investigation into the business and affairs of the Company, Grand Fort or any of its subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

'The Directors jointly and severally accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive in any material respects, and there are no other matters the omission of which would make any statement herein or in the Circular misleading.

The Company will notify the Independent Shareholders of any material changes to the information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code after the Latest Practicable Date and after the despatch of the Circular. Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Buy-back and the Share Buy-back Agreement. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Share Buy-back, we have taken into account the principal factors and reasons set out below:

1. Information on the Group and Grand Fort

(a) Principal business of the Group

As stated in the Letter from the Board, the Company is principally engaged in property investment and treasury investment. The property investment represents the operations of property investment and property leasing, while treasury investment represents the investment in debt and equity securities.

(b) Historical financial information of the Group

Set out below are tables summarizing the financial highlights of the audited consolidated financial information of the Group for the financial years ended 31 March 2016 (the “FY2016”), 2017 (the “FY2017”), the FY2018 and the FY2019 being extracted from the 2017 Annual Report, the 2018 Annual Report and the 2019 Annual Results Announcement:

	Year ended 31 March			
	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	80,270	81,260	97,273	104,841
Property expenses	(2,294)	(2,992)	(1,979)	(1,254)
Gross profit	77,976	78,268	95,294	103,587
(Decrease)/increase in fair value of investment properties	(15,917)	13,592	(102,498)	(138,621)
Revaluation of financial assets at fair value through profit or loss	(46)	(1,029)	—	—
(Loss)/gain in relation with the disposal of financial assets (Note 1)	(30,940)	13,543	1,755	3,115
Interest income	40,458	45,600	28,744	19,670
Profit/(loss) attributable to owners of the Company	25,534	110,255	(29,312)	(58,072)

	As at 31 March			
	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Cash and cash equivalents	277,808	63,339	33,842	45,750
Total assets	4,072,309	4,146,932	3,923,625	3,744,877
Total liabilities	332,392	411,077	278,968	64,560
Net assets	3,739,917	3,735,855	3,644,657	3,680,317

Note:

1. The (loss)/gain in relation with the disposal of financial assets includes the realised (loss)/gain on (i) disposal of financial assets/debt instruments at fair value through other comprehensive income; (ii) disposal of available-for-sale financial assets; and (iii) disposal of financial assets held for trading.

i. Audited consolidated results for the FY2017 as compared to the FY2016

The revenue of the Group for the FY2017 amounted to approximately HK\$97.27 million, representing a year-on-year decrease of approximately 7.22%. This was primarily due to (i) a decrease in rental rates of most of the Group's commercial shop and office properties as recorded upon renewal; and (ii) a slight decrease in the Group's rental portfolio occupancy rate by approximately 3.20% to approximately 96.30% as recorded for the FY2017. Notwithstanding the decrease in revenue of the Group, the Group recorded a lesser extent of net loss of approximately HK\$29.31 million for the FY2017, representing a decrease of approximately 49.52% as compared with the net loss of approximately HK\$58.07 million for the FY2016. As explained in the 2017 Annual Report, the loss incurred by the Group was narrowed due to (i) an increase in interest income from Group's investments in debt securities by approximately 46.13%; and (ii) a lesser decrease in fair value of investment properties upon revaluation as at the end of the FY2017.

The Group's cash and cash equivalents decreased from approximately HK\$45.75 million to approximately HK\$33.84 million as at the end of FY2017, representing a year-on-year decrease of approximately HK\$11.91 million or 26.03%. Such decrease was mainly due to (i) the investments in debt securities in excess of the fund generated from the operating activities and (ii) the renewal of the bank loans. Despite the decrease in cash and cash equivalents and increase in secured bank borrowing for approximately HK\$28.00 million, the net assets of the Group remained relatively steady at approximately HK\$3.64 billion as at the end of the FY2017.

ii. Audited consolidated results for the FY2018 as compared to the FY2017

The revenue of the Group for the FY2018 amounted to approximately HK\$81.26 million, representing a year-on-year decrease of approximately 16.46%. Same as the previous years, the decrease in rental rates of the Group's commercial shop and office properties upon renewal was the major reason for the decrease in revenue, despite such decrease was partly offset by the slight increase in the Group's rental portfolio occupancy rate by approximately 1.50% to approximately 97.80% as recorded for the FY2018. The Group had achieved a net profit turnaround of approximately HK\$110.26 million for the FY2018, such increase in net profit of approximately HK\$139.57 million was mainly attributable to (i) an increase in interest income from the Group's investments in debt securities by approximately 58.64%; and (ii) an increase in fair value of investment properties upon revaluation as at the end of the FY2018.

The Group's cash and cash equivalents increased from approximately HK\$33.84 million to approximately HK\$63.34 million at the end of the FY2018, representing a year-on-year increase of approximately HK\$29.50 million or approximately 87.16%. Such increase was due to the reason that the fund generated from the operations and the renewal of the bank loans outweigh the fund used for the investments in debt securities. While as contributed by the increase of approximately HK\$70.50 million of the available-for-sale financial assets redeemable within one year, the Group recorded a slight increase in its net assets of approximately 2.50% as at the end of the FY2018.

iii. Audited consolidated results for the FY2019 as compared to the FY2018

According to the 2019 Annual Results Announcement, there was a slight decrease in revenue of the Group of approximately 1.22% to approximately HK\$80.27 million as compared with the FY2018, which was mainly attributable to the decrease in rental rate of the Group's commercial shop and office properties upon its renewal during the FY2019. In general, the Group's gross rental income remained relatively flat for the FY2019 as compared to the FY2018. However, due to the loss derived from (i) the disposal of the Group's investments in debt securities in view of the macroeconomic uncertainty due to the US-China trade war; and (ii) a decrease in fair value of the investment properties upon revaluation at the end of the FY2019 since the rental rates of commercial shops in Hong Kong have shown a downward trend during the FY 2019, the net profit recorded for the FY2019 decreased by approximately 76.84% to approximately HK\$25.53 million, as compared with approximately HK\$110.26 million recorded for the FY2018.

We also note that the increase in the Group's cash and cash equivalents of approximately 338.60% to approximately HK\$277.81 million was mainly due to the proceeds received from the disposal of investments in debt securities to reduce its exposure to financial risks. Meanwhile, the Company has reduced the amount of bank borrowings in current liabilities of the Group to approximately HK\$11.80 million as at the year end of the FY2019, representing a decrease of approximately 85.67% as compared to approximately HK\$82.41 million as at the year end of the FY2018. The net assets of the Group remained at a steady level of approximately HK\$3.74 billion at the end of the FY2019.

In the light of the above and taking into account the fact that the financial performance of the Group is subject to (i) the fluctuations in rental income due to the speculative market environment and macroeconomic uncertainty in Hong Kong; and (ii) the mark-to-market price volatility of the financial assets which is positively correlated with the global stock market and the debt market performance, the Independent Shareholders should be mindful of the unstable nature of these uncontrollable market conditions.

As set out in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash flow. Despite the moderate fluctuation in the Group's profitability in the past few years, the overall financial position of the Group has remained strong and stable in general. Taking into account the amount of cash resources held by the Company as at the Latest Practicable Date, we are of the view that the Company has adequate financial resources to finance the Share Buy-back, which allowed the Company to take advantage of the opportunity to eliminate the public float insufficiency issue and enhance the Shareholders' value via the Share Buy-back as well as enjoy the benefits as stated in the paragraph headed "*Reasons for and benefits of the Share Buy-back*" below.

(c) Information on Grand Fort

Grand Fort is an investment holding company and is held as to 50% by Mr. Chim and 50% by Mr. Law. As at the Latest Practicable Date, Grand Fort is a substantial Shareholder holding 61,051,277 Shares, representing approximately 19.84% of the entire issued share capital of the Company.

As set out in the Letter from the Board, Grand Fort is independent of the Directors and other substantial Shareholders, and does not have a representative on the Board and has not been involved in the management of the Group. As Grand Fort by its nature is a passive financial investor, we are of the view that the Share Buy-back would not cause any adverse impact on the daily operation and decision making of the Company.

2. Principal terms of the Deed of Undertaking and the Share Buy-back Agreement

(a) The Deed of Undertaking

On 26 April 2019 (after trading hours), the Covenantors and the Company entered into of the Deed of Undertaking (as amended and supplemented on 16 May 2019) in favour of the Company whereby each of the Covenantors has irrevocably undertaken to the Company, among other things, that subject to: (i) the passing of the requisite resolution by at least three-fourths of the vote cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Share Buy-back Agreement; (ii) the Executive having approved the Share Buy-back pursuant to the Buy-backs Code (and such approval not having been withdrawn or revoked and the condition(s) of such approval (if any) having been satisfied); and (iii) the Executive having granted a waiver in favour of Noranger from its obligation to make a general offer for the Shares which would otherwise arise as a result of Share Buy-back Completion pursuant to note 6 to Rule 26.1 of the Takeovers Code (and such waiver not having been withdrawn or revoked and the condition(s) of such waiver (if any) having been satisfied), each of the Covenantors shall execute and deliver the Share Buy-back Agreement to the Company on the later of (i) 2 July 2019; and (ii) the third Business Day after the satisfaction of the conditions set out in the Deed of Undertaking.

We note that imposing the aforesaid conditions to the execution of the Deed of Undertaking solely arose from the legal obligation of the Company to comply with the regulatory requirement under the Buy-back Code which represents a fair and reasonable mechanism providing the Independent Shareholders with the right to opt for approving or rejecting the Share Buy-back.

(b) The Share Buy-back Agreement

On 26 April 2019 (after trading hours), Grand Fort, the Guarantors and the Company entered into of the Share Buy-back Agreement, pursuant to which Grand Fort conditionally agrees to sell and the Company conditionally agrees to buy back the 30,525,639 Buy-back Shares, representing approximately 9.92% of the entire issued share capital of the Company as at the Latest Practicable Date with a total consideration of HK\$155.68 million (equivalent to HK\$5.10 per Buy-back Share). The completion of the Share Buy-back Agreement is conditional upon the satisfaction, among other things, the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law and regulations.

Under Section 240 of the Companies Ordinance, a listed company may buy back its own shares, otherwise than under section 238 (share buy-back under general offer) or section 239 (share buy-back on recognised stock market or approved stock exchange) of the Companies Ordinance, if the contract for buy-back of the shares is authorised in advance by special resolution. As the Company is incorporated in Hong Kong, the above arrangement is simply to comply with such regulatory requirement.

3. Reasons for and benefits of the Share Buy-back

(i) Reasons for the entering into of the Share Buy-back Agreement

As set out in the Letter from the Board, the main purpose of the Share Buy-back is to restore the public float of the Company. We have reviewed the announcements of the Company dated (i) 30 September 2016; (ii) 7 November 2016; (iii) 7 December 2016; (iv) 10 January 2017; (v) 10 February 2017; (vi) 10 March 2017; (vii) 10 April 2017; (viii) 11 May 2017; (ix) 13 June 2017; (x) 13 July 2017; (xi) 17 August 2017; (xii) 19 September 2017; (xiii) 21 December 2017; (xiv) 27 March 2018; (xv) 28 June 2018; (xvi) 4 October 2018; (xvii) 2 January 2019; and (xviii) 12 April 2019, in relation to the shortfall in the public float of the Company (individually the “**Public Float Announcement**”, and collectively the “**Public Float Announcements**”). We note that the public float of the Company has been remaining at the level of approximately 23.44% since the date of the initial Public Float Announcement (i.e. 30 September 2016) up to the Last Trading Day (the “**Public Float Insufficiency Period**”), which falls below the minimum prescribed percentage of 25% as required under Rule 8.08 of the Listing Rules.

We have also obtained and reviewed the correspondence between the Company and the Stock Exchange regarding the matters relating to the public float restoration of the Company. We have further discussed with the management of the Company and understand that, during the Public Float Insufficiency Period, the Company endeavored to formulate a plan to restore its public float and had reviewed and assessed various options to achieve such purpose including rights issue, placing of new shares, procuring the Chan Concert Group and/or Grand Fort to sell part of the Shares held by them and the

on-market share buy-back. As advised by the management of the Company, we note that the Share Buy-back was concluded to be the only viable means to restore the public float after taking into account the following factors:

- (1) the Company is not able to ascertain whether its public float could be restored by the way of rights issue given that the number of rights shares to be taken up by the Shareholders is unpredictable;
- (2) the Company does not have immediate funding need given its steady stream of income generated from the property investment and treasury of the Group. Besides, having considered that (i) the audited consolidated NAV per Share as at 31 March 2019 amounted to approximately HK\$12.15 and (ii) the audited consolidated adjusted NAV after taking into account the fair value of Self-occupied Properties (the “**Adjusted NAV**”) per Share as at 31 March 2019 amounted to approximately HK\$12.52, the Directors were of the view that the placement of new Shares at the then prevailing market price level (for reference purpose, the closing price of the Shares was HK\$3.97 as at the Last Trading Day) represents a deep discount to the audited consolidated NAV per Share as well as the audited consolidated Adjusted NAV per Share and therefore would not be in the best interest of the Company and the Shareholders as a whole even if such placement could have been implemented;
- (3) the Chan Concert Group has been the controlling Shareholder for over 20 years. As at the Latest Practicable Date, the Chan Concert Group was interested in an aggregate of 174,564,896 Shares, representing approximately 56.72% of the entire issued share capital of the Company, which is slightly above the level of 50% (which is commonly known as the absolute control level). Given that the Chan Concert Group has been playing a significant role in the management of the Company and is important to the stability and sustainability of the Group’s business, the Company considered that procuring the Chan Concert Group to dispose of part of its Shares might accordingly weaken the influence of the Chan Concert Group over the Group and therefore is not in the best interest of the Shareholders and the Company as a whole. Furthermore, the Chan Concert Group had indicated its unwillingness to sell any Shares held by them;
- (4) Grand Fort would only consider realising its investment in the Company for other investment opportunities through disposing of all the Shares held by it in one single disposal but not partial disposal;
- (5) the liquidity of the Shares remained extremely low for the Public Float Insufficiency Period (as further elaborated in the paragraph headed “*Analysis of the historical liquidity of the Shares*” below); it would be difficult for the Company to repurchase sufficient number of Shares to restore its public float in the open market at such low liquidity of the Shares and with any certainty by way of the on-market share buy-back; and

- (6) due to (i) the lack of liquidity of the Shares; (ii) the intention of the Chan Concert Group not to sell any Shares for the sake of business stability; and (iii) the reluctance of Grand Fort to make partial disposal of Shares, the on-market disposal of Shares by either the Chan Concert Group or Grand Fort are not considered possible options to restore public float of the Company.

Taking into consideration the practicability of different options as mentioned above, we are of the view that the off-market share buy-back from Grand Fort is the comparatively more feasible option to restore the public float of the Company.

(ii) Reasons for the entering into of the S&P Agreement inter-conditional to the Share Buy-back Agreement

We understand from the management of the Company that the Board was determined to resolve the public float shortfall problem through the Share Buy-Back whilst it was the expectation of the Company not to drain away large amount of its capital.

However, as stated in the Letter from the Board, Grand Fort intends to realise its investment in the Company for other investment opportunities and to dispose of all the Shares held by it in one single disposal. Grand Fort does not intend to hold any Shares after completion of the sale of the Buy-back Shares and the Sale Shares. We further note that Grand Fort would not consider partial disposal of the Shares held by it.

Notwithstanding that the off-market share buy-back from a substantial Shareholder is considered as the comparatively more feasible option to restore the public float of the Company, the Share Buy-Back can only be implemented by the Company by virtue of the proposed acquisition of the entire interest in the Company held by Grand Fort in a single purchase. In order to reduce the financial burden of the Company and to demonstrate Mr. Chan's confidence in the future of the Group, Mr. Chan had agreed to purchase a portion of the Shares held by Grand Fort so that each of Smartprint (a company wholly owned by Mr. Chan) and the Company will purchase 50% of the Shares held by Grand Fort pursuant to the S&P Agreement and the Share Buy-back Agreement respectively. The parties would require Share Buy-back Completion and S&P Completion to be inter-conditional such that the disposal of all the Shares held by Grand Fort can take place at the same time.

We consider that the entering into of the S&P Agreement and the Transfer contemplated thereunder represents a kind of support from the controlling Shareholder to aid the Company in satisfying the public float restoration requirement and a pragmatic approach to help the Company preserve capital for daily operation and future investment when appropriate opportunities arise.

(iii) Benefits of the Share Buy-back

The Share Buy-back could enhance the NAV per Share and dividend yield ratio of the Group. Based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement; the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed "*Adjusted consolidated net asset value*" in the Letter from the Board; and a total of 307,758,522 Shares in issue as at the Latest Practicable Date, the audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share as at 31 March 2019 were approximately HK\$12.15 and approximately HK\$12.52 respectively. Assuming the Share Buy-back had taken place on 31 March 2019, immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares, the number of issued Shares would decrease from 307,758,522 Shares to 277,232,883 Shares. The audited consolidated NAV per Share as at 31 March 2019 would have increased from approximately HK\$12.15 to approximately HK\$12.92 (having taken into account the unaudited pro forma NAV would have been approximately HK\$3,582.93 million after Share Buy-back completion in accordance with the "*Unaudited Pro Forma Financial Information of the Group*" as set out in the Appendix II of the Circular), representing an enhancement of approximately 6.34%. The audited consolidated Adjusted NAV per Share as at 31 March 2019 would have increased from approximately HK\$12.52 to approximately HK\$13.33 (having taken into account the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma adjustments as to the "*Unaudited Pro Forma Financial Information of the Group*" as set out in the Appendix II of the Circular), representing an enhancement of approximately 6.47%.

The total dividend paid by the Company for the FY2019 amounted to approximately HK\$16.60 million, comprising an interim dividend of approximately HK2.20 cents per Share for the six months ended 30 September 2018 and a final dividend of approximately HK3.20 cents per Share for the year ended 31 March 2019 with the total number of 307,758,522 issued Shares for the FY2019. Assuming that the Share Buy-back had taken place on 31 March 2019, dividend yield ratio calculated by the closing price as at the Last Trading Day and dividend payout remains unchanged, the dividend yield ratio of the Company would have increased from approximately 1.31% to approximately 1.51%.

The gearing ratio of the Company as at 31 March 2019 was approximately 8.89% which was calculated by dividing the total liabilities of approximately HK\$332.39 million by the total equity of approximately HK\$3,739.92 million as at 31 March 2019. Assuming that the Share Buy-back had taken place on 31 March 2019, the gearing ratio of the Company would have been slightly increased by approximately 0.39% to approximately 9.28% since the consideration of the Share Buy-back is expected to be settled in cash and funded by the Company's internal resources which shall have no impact on the total liabilities but will lead to a slight decrease in the total equity after cancellation of the Buy-back Shares.

As advised by the management of Company, the Company is able to maintain adequate working capital for its continuous operations after Share Buy-back Completion and the Share Buy-back shall only have very limited impact on the financial position of the Company.

Taking into account the factors that the Share Buy-back (i) provides the Company with a feasible opportunity and represents a pragmatic approach which could effectively serve to restore the public float of the Company; (ii) could create the Shareholders' value by enhancing earnings per Share and dividend yield ratio; and (iii) does not cause material adverse effect to the financial position of the Company despite that there will be a slight increase in the gearing ratio, we are of the view that the terms of the Share Buy-back Agreement by the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Analysis of the Buy-back Price

(a) Analysis of the historical market price of the Shares

The Buy-back Price of HK\$5.10 per Sale Share is equal to the price per Buy-back Share payable by the Company under the Share Buy-back Agreement and represents:

- (i) a premium of approximately 6.25% over the closing price of HK\$4.80 per Share as quoted on the Stock Exchange on 26 June 2019, being the Latest Practicable Date;
- (ii) a premium of approximately 28.46% over the closing price of HK\$3.97 per Share as quoted on the Stock Exchange on 26 April 2019, being the Last Trading Day;
- (iii) a premium of approximately 28.46% over the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$3.97 per Share;
- (iv) a premium of approximately 28.79% over the average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$3.96 per Share;
- (v) a premium of approximately 24.69% over the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.09 per Share;
- (vi) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;

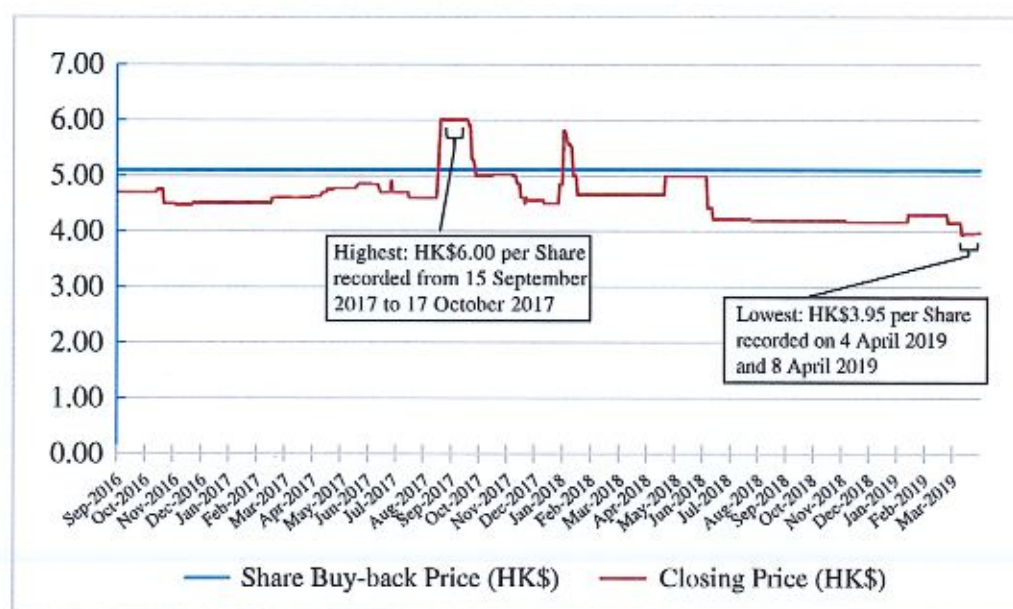
- (vii) a premium of approximately 22.01% over the average closing price of the Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.18 per Share;
- (viii) a premium of approximately 14.35% over the average closing price of the Shares as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.46 per Share;
- (ix) a discount of approximately 57.99% to the audited consolidated NAV of approximately HK\$12.14 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated NAV of HK\$3,735.9 million as at 31 March 2018, as disclosed in the 2018 Annual Report);
- (x) a discount of approximately 57.78% to the unaudited consolidated NAV of approximately HK\$12.08 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the unaudited consolidated NAV of HK\$3,718.2 million as at 30 September 2018, as disclosed in the 2018 Interim Report);
- (xi) a discount of approximately 58.02% to the audited consolidated NAV of approximately HK\$12.15 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019, as disclosed in the 2019 Annual Results Announcement); and
- (xii) a discount of approximately 59.27% to the audited consolidated Adjusted NAV of the Group of approximately HK\$12.52 per Share (based on a total of 307,758,522 Shares in issue as at the Latest Practicable Date and the audited consolidated Adjusted NAV of the Group of approximately HK\$3,852.10 million as at 31 March 2019, as disclosed in the section headed "*Adjusted consolidated net asset value*" in the Letter from the Board.

As stated in the Letter from the Board, although the Buy-back Price represents a premium of more than 20% over the current market price of the Shares, the Board considers that the market price level is relatively of less significance as it would not be possible for the Company to repurchase sufficient number of Shares in the open market at such price level and with any certainty. In view of the above, the Board considers that the Share Buy-back is a good opportunity for the Company to buy back its Shares at a reasonable price with a significant discount to the audited consolidated NAV per Share even though the Buy-back Price is higher than the market price.

Taking into consideration that (i) the Group is principally engaged in an asset-intensive business, whereby a majority of its assets are investment properties, and it is the general market practice to evaluate an asset-intensive company by making reference to the audited consolidated NAV; and (ii) the extremely low liquidity of the Shares reflects a very limited supply of Shares available in the open market and therefore the market price level does not meaningfully reflect the true value of the Shares, we are of the view that the Group's audited consolidated NAV per Share as at 31 March 2019 (i.e. approximately HK\$12.15 per Share) is a more appropriate benchmark over the current market price and it is substantially higher than the Buy-back Price.

The chart below depicts the daily closing price level of the Shares as quoted on the Stock Exchange's website from 30 September 2016 (being the date of the initial Public Float Announcement published by the Company) to the Last Trading Day (both dates inclusive), being the approximately 31-month period immediately preceding the Last Trading Day (the "Public Float Insufficiency Period"). We consider that Public Float Insufficiency Period, during which the public float issue had been subsisting, is appropriate and adequate to illustrate the price movement of the Shares and make comparison between the historical closing prices of the Shares and the Buy-back Price.

Daily Closing Price of Shares during the Public Float Insufficiency Period



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

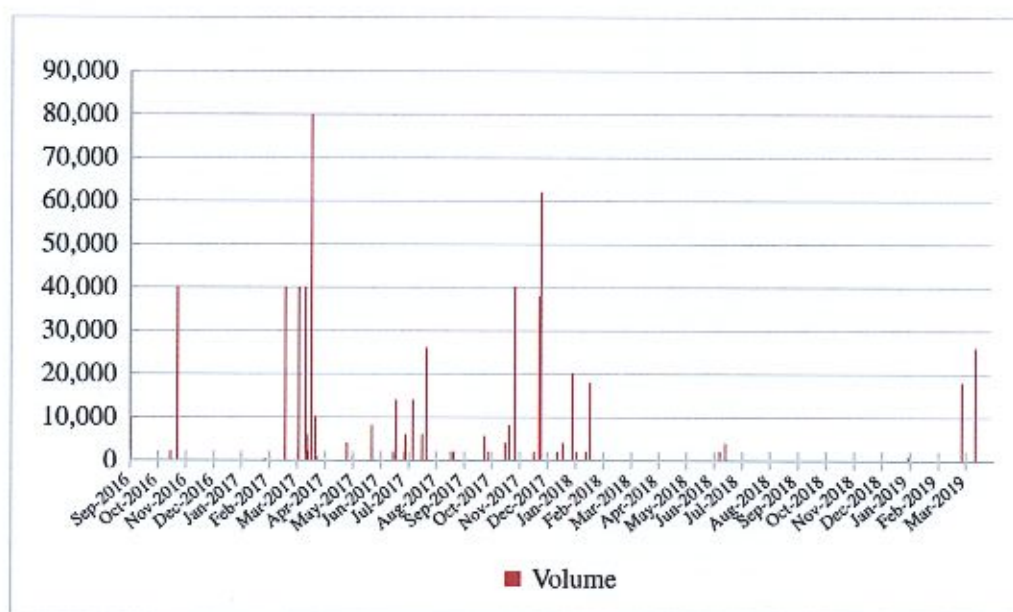
During the Public Float Insufficiency Period, we note that the closing prices of the Shares ranged from HK\$3.95 per Share to HK\$6.00 per Share, with an average of the closing prices of approximately HK\$4.60 per Share. The Buy-back Price of HK\$5.10 per Buy-back Share is within the range of the closing price of the Shares quoted on the Stock Exchange during the Public Float Insufficiency Period, and represents (i) a premium of approximately 11.1% over the average of the closing prices of HK\$4.59 per Shares during

the Public Float Insufficiency Period; (ii) a premium of approximately 29.1% over the lowest daily closing price of HK\$3.95 per Share during the Public Float Insufficiency Period recorded on 4 April 2019 and 8 April 2019; and (iii) a discount of approximately 15.0% over the highest daily closing price of HK\$6.00 per Share during the Public Float Insufficiency Period recorded over the 21 consecutive trading days from 15 September 2017 to 17 October 2017.

(b) Analysis of the historical liquidity of the Shares

The following table sets out the daily trading volume of the Shares over the Public Float Insufficiency Period:

Daily Trading Volume of Shares during the Public Float Insufficiency Period



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

We note from the above chart that the trading volume of the Shares was extremely thin during the Public Float Insufficiency Period (especially from 27 April 2018 to 26 April 2019, being the latest 12-month period immediately preceding the Last Trading Day (the “12-month Review Period”). The average daily trading volume of the Shares on the Stock Exchange during the Public Float Insufficiency Period was approximately 980 Shares, representing approximately 0.0003% and 0.001% of the Company’s total existing issued share capital and public float respectively. The highest daily trading volume during the Public Float Insufficiency Period was about 80,000 Shares on 18 April 2017, representing approximately 0.026% and 0.11% of the Company’s total existing issued share capital and public float. Besides, we further note that no trading activity was recorded in 240 days out of 245 days during the 12-month Review Period.

Despite the fact that price of the Shares for the 12-month Review Period ranged from HK\$3.95 per Share to HK\$4.99 per Share and did not reach the level of the Buy-back Price, having taken into consideration the extreme thin trading volume of the Shares, the Share price may not be an appropriate benchmark to the Buy-back Price. Alternatively, we are of the view that the comparison of the Buy-back Price against the NAV per Share is more reasonable for conducting the analysis on the Buy-back Price and it is appropriate to place less reliance on the analysis relating to the closing price of the Share as quoted on the Stock Exchange due to its inactive trading activity.

(c) Analysis of the price-to-book ratio of the Company

Having considered that the Company is principally engaged in the property investment and the treasury investment that is asset-intensive in nature, it is more appropriate to use the price-to-book ratio analysis, being a commonly adopted valuation methodology for assessing an asset intensive company, to gauge the fairness and reasonableness of the Buy-back Price. We have made reference to the price-to-book ratios of other comparable companies which (i) are listed on the main board of the Stock Exchange; (ii) have a significant proportion of their total asset contributed by their investment properties; (iii) have majority of their investment properties principally located in Hong Kong; and (iv) have their shares traded on the Stock Exchange with a market capitalization below HK\$10.0 billion as at the Last Trading Day. We have identified and generated a list of ten companies (the “Comparable Companies”) that fall into the abovementioned selection criteria, which are tabulated for illustration below. We consider that the list of the Comparable Companies is an exhaustive list which comprises fair, sufficient and representative samples with features similar to the Company for the purpose of analysis under the prevailing market practice.

Stock Code	Stock name	Market Capitalization as at the Last Trading Day	Latest Published Net Asset Value	Price-to-book ratio (“P/B Ratio”)
		(A) (in HK\$ million)	(B) (in HK\$ million)	(A) / (B)
00063	China Graphene Group Limited	420.0	196.9	2.13
00105	Associated International Hotels Limited	8,244.0	13,855.5	0.59
00158	Melbourne Enterprises Limited	6,145.0	9,806.4	0.63
00224	Pioneer Global Group Limited	2,019.6	7,877.2	0.26
00225	Pokfulam Development Company Limited	1,963.4	5,447.3	0.36
00237	Safety Godown Company Limited	2,133.0	4,801.6	0.44

Stock Code	Stock name	Market Capitalization as at the Last Trading Day	Latest Published Net Asset Value	Price-to-book ratio ("P/B Ratio")
		(A) (in HK\$ million)	(B) (in HK\$ million)	(A) / (B)
00266	Tian Teck Land Limited	4,177.6	14,260.9	0.29
00271	Asiasec Properties Limited	3,375.7	4,509.2	0.75
00864	Wing Lee Property Investments Limited	262.6	1,086.9	0.24
02292	Thing On Enterprises Limited	878.4	1,604.1	0.55
	Highest			2.13
	Lowest			0.24
	Average			0.62
00277	The Company (Note 1)	1,569.6		0.42

Source: website of the Stock Exchange (www.hkex.com.hk) and latest published financial statement of the Comparable Companies

Note

- For comparison purpose, the P/B Ratio of the Company was calculated as dividing its adjusted market capitalisation (as calculated by multiplying the Buy-back Price and the number of issued Shares as at the Last Trading Day) by the audited consolidated NAV as at 31 March 2019.

Given the Group is involved in an asset-intensive business, whereby a majority of its assets are investment properties, the Comparable Companies with the above-mentioned features would serve as a fair and representative sample for the purpose of drawing a meaningful analysis to the Buy-back price. However, the Independent Shareholders should note that the Comparable Companies are not identical to the Company in terms of operations and financial position.

As shown above, the P/B Ratio (based on the share price on the Last Trading Day) of the Comparable Companies ranges from approximately 0.24 times to approximately 2.13 times with an average of approximately 0.62 times. The P/B Ratio of the Company based on the Buy-back Price is 0.42 times which is close to the low end of range of the P/B Ratio and represents a discount of approximately 32.83% to the average P/B Ratio of the Comparable Companies.

As such, we are of the view that the Buy-back Price was determined at a favorable level and therefore is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(d) Analysis of the Valuation Reports

Net asset value is one of the major components in calculation of the P/B Ratio. The audited consolidated NAV in the amount of approximately HK\$3,739.92 million and the audited consolidated Adjusted NAV in the amount of approximately HK\$3,852.10 million as at 31 March 2019 was largely accounted for by the value of the Group's properties situated in Hong Kong and Canada which has been arrived at based on the valuation of such properties carried out by Jones Lang LaSalle Limited (the "**Hong Kong Valuer**") and Jones Lang LaSalle Real Estate Services Inc. (the "**Canadian Valuer**", collectively the "**Valuers**") respectively. Given that the properties accounted for a majority of the Group's assets as at 31 March 2019, we consider that it is appropriate to take into account the Valuation Reports in assessing the fairness and reasonableness of the Buy-back Price.

We have reviewed the Hong Kong Valuation Report and the Canadian Valuation Report and interviewed the Hong Kong Valuer and the Canadian Valuer as to the details in relation to the Hong Kong Valuation Report and the Canadian Valuation Report respectively, as well as to the Valuers' expertise and independence. We also enquired with the Hong Kong Valuer and the Canadian Valuer on the methodology adopted, basis and assumptions used in arriving the valuation of the Group's investment properties situated in Hong Kong and Canada as at 31 March 2019 respectively. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value; while the direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

Hong Kong Valuation Report

The Hong Kong Valuer has explained to us that given the investment properties of the Group situated in Hong Kong were held by the Group for a stable income stream over the past years, it is appropriate to adopt the income capitalisation method to carry out the valuation on these properties. The Hong Kong Valuer has further explained to us that they had adopted the direct comparison method for the valuation of the Group's Self-occupied Properties, as having considered that these properties were either owner-occupied or vacant with no rental income. As such, we are of the view that the results driven from the income capitalisation method and the direct comparison method adopted by the Hong Kong Valuer are reliable.

We have discussed with the Hong Kong Valuer regarding the basis and assumptions adopted for the valuation methodologies and have been advised that the income capitalisation method and the direct comparison method conducted by the Hong Kong Valuer are in accordance with the common market practice and standards of Hong Kong, hence we are of the view that each of the income capitalisation method and the direct comparison method adopted by the Hong Kong Valuer for preparing the Hong Kong Valuation Report is the most preferred and

appropriate method for conducting the valuation of the Group's investment properties and Self-occupied Properties situated in Hong Kong respectively. The Hong Kong Valuer confirmed that the adopted valuation methods remained unchanged over the past years.

Canadian Valuation Report

The Canadian Valuer has explained to us the fact that the market value of the properties in Canada are related to the selling price of their comparables, competitive properties and there is sufficient market data available in public for conducting the direct comparison method for the investment property of the Group situated in Canada, it is appropriate to adopt the direct comparison method to carry out the valuation on this property. As such, we are of the view that the result driven from the direct comparison method adopted by the Canadian Valuer is reliable.

We have discussed with the Canadian Valuer regarding the basis and assumptions adopted for the valuation methodology and have been advised that the direct comparison method conducted by the Canadian Valuer is in accordance with the common market practice and standards of Canada, hence we are of the view that the direct comparison method adopted by the Canadian Valuer for preparing the Canadian Valuation Report is the most preferred and appropriate method for conducting the valuation of the Group's investment property situated in Canada.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and made due enquiry in respect of (i) the terms of engagement and scope of work of the Valuers; (ii) the Valuers' qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuers for conducting the valuation of the Group's investment properties situated in Hong Kong and Canada. We are satisfied with scope of work of engagement and qualification of the Valuers. We note that the due diligence measures are appropriate to the opinion given. Also, as confirmed by each of the Valuers, they are both independent third parties of the Company, Grand Fort or their respective substantial Shareholders or close associates. Thus, we consider that the Valuers are qualified and sufficiently independent in performing the valuation of the Group's investment properties situated in Hong Kong and Canada respectively.

(e) Analysis of the comparable transactions

Based on the information available from the website of the Stock Exchange, on a best endeavour basis, identified an exhaustive list of four comparable transactions (the "**Comparable Transactions**") which involved off-market share buy-back from substantial shareholder under the Buy-back Code. The Comparable Transactions were the off-market share buy-back announced, in the 12-month Review Period, by the companies listed on the Stock Exchange.

The table below sets out the relevant details of the buy-back price for each share buy-back transaction associated with the Comparable Transactions:

Stock code	Stock name	Date of the Initial Announcement (Note 1)/the Announcement	(Discount)/ premium of share buy-back price to the closing price of shares as at last trading day prior to the date of Initial Announcement/ the Announcement	(Discount)/ premium of share buy-back price to average closing price of shares of the five consecutive trading days prior to the date of Initial Announcement/ the Announcement	Discount of share buy-back price to the latest published net asset value/ the audited consolidated NAV	Average daily trading volume of the shares to the companies' total existing issued share capital (Note 2)	Approximate number of trading days required for on-market purchase of the respective buy-back shares (Note 3)
0440	Dah Sing Financial Holdings Limited	23 Jan 2019	(1.50%)	(1.50%)	(48.91%)	(0.081%)	57 days
0593	DreamEast Group Limited	13 Sep 2018	(19.70%)	(18.80%)	(32.60%)	(0.0059%)	11,063 days
1116	Mayer Holdings Limited (Note 4)	21 Jul 2018	N/A	N/A	N/A	N/A	N/A
0086	Sun Hung Kai & Co. Limited	4 May 2018	(1.70%)	(1.70%)	(47.00%)	(0.045%)	150 days
		Highest	(1.50%)	(1.50%)	(32.60%)	0.081%	11,063 days
		Lowest	(19.70%)	(18.80%)	(48.91%)	0.0059%	57 days
		Average	(7.63%)	(7.33%)	(42.83%)	0.044%	3,757 days
0277	The Company	16 May 2019	28.46%	28.46%	(58.02%)	0.000067%	148,498 days

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

Notes:

1. Initial announcement refers to the respective announcement initially published in relation to the Comparable Transactions (the "Initial Announcement").
2. Calculated as dividing the average daily trading volume of the shares of the listed companies and the Company on the Stock Exchange during the review period of the Comparable Transactions (being 12-month period immediately preceding the last trading day prior to date of Initial Announcement of respective Comparable Transactions) and Share Buy-back (being the 12-month Review Period) by the total existing issued share capital of the respective listed companies of the Comparable Transactions as at their respective last trading day prior to date of Initial Announcement and the Company as at the Last Trading Day respectively.
3. Calculated as dividing the total number of the buy-back shares of the respective Comparable Transactions and Share Buy-back by the average daily trading volume of the shares of the listed companies and the Company on the Stock Exchange during the review period of the Comparable Transactions (being 12-month period immediately preceding the last trading day prior to date of Initial Announcement of respective Comparable Transactions) and the Company (being the 12-month Review Period).

4. The trading of the shares of Mayer Holdings Limited (1116.HK) had been suspended since 9 January 2012 up to 21 November 2018 which covered the 12-month period immediately preceding the last trading day prior to date of Initial Announcement of its share buy-back transaction. Thus, the share price and average daily trading volume of 12-month period prior to the last trading day prior to date of Initial Announcement of Mayer Holdings Limited (1116.HK) are not available for our analysis.

For illustration purpose, the above table shows that (i) the discount of share buy-back price to the closing price of share as at the last trading day prior to date of Initial Announcement of each of the Comparable Transactions ranges from 1.5% to 19.7% with an average of 7.6% whilst the premium of such of the Share Buy-back was 28.46%; (ii) the discount of share buy-back price to average closing price of the five consecutive trading days prior to the date of Initial Announcement of each of the Comparable Transactions ranges from 1.5% to 18.8% with an average of 7.3%; (iii) the discount of share buy-back price to the latest published net asset value of each of the listed companies of the Comparable Transactions ranges from 32.6% to 48.91% with an average of 42.86% whilst the discount of the Buy-back Price to the latest published audited consolidated NAV was 58.02%; (iv) average daily trading volume of the shares to the total issued Shares of the Company (i.e. 0.000067%) which is significantly below the average of the Comparable Transaction (i.e. 0.04%); and (v) the extremely low liquidity of the Shares makes the Company more difficult to execute the on-market purchase of the Buy-back Share with certainty compared to the Comparable Transactions.

However, we further look into the nature of the Comparable Transactions and note that the rationale for implementing the Share Buy-back is unique and merely for the purpose of complying with the regulatory requirement to restore public float. In contrast, the Comparable Transactions were driven by various commercial reasons rather than for the purpose of fulfilling regulatory requirements, which include: (i) to create a greater shareholders' value by enhancing the companies' earnings per share and rate of return on capital; (ii) to unwind a previously announced acquisition and cancel the consideration shares issued in relation thereto; and (iii) to cancel the shares of the subject listed company subsequent to a transaction with its substantial shareholder. Given that the rationale of the Share Buy-back is fundamentally different from that of the Comparable Transactions, it may not be meaningful to directly compare the Share Buy-back with other Comparable Transactions.

We understand from the management of the Company that it has been the practice of the Company to strive to maintain a high standard of corporate governance and the main objective of the Share Buy-back is to facilitate the Company to discharge its responsibility as a listed company to restore public float as required under the Listing Rules. As mentioned above in this letter, the Company has endeavored to consider and attempted various ways to restore public float but no feasible option is available other than repurchasing Shares from Grand Fort. However, Grand Fort has reiterated that it will only accept selling its Shares in a single disposal but not partial disposal. In this regard, the Company can only select to buy back the entire lot of Shares held by Grand Fort on an all-or-nothing basis. Furthermore, the extremely low liquidity of the Shares as analyzed in the paragraph headed "*Analysis of the historical liquidity of the Shares*"

reflects the fact that there is terribly limited supply of Shares available in the market. The Buy-back Price was concluded as an outcome of negotiation between the Company and Grand Fort, which represents the minimum selling price per Share acceptable to Grand Fort whilst the minimum cost for putting forward the Share Buy-back. Having considered that (i) there is necessity for the Company to honor its legal obligation to restore public float; (ii) the Company endeavored to negotiate for an affordable price for restoring public float; and (iii) the Buy-back Price was arrived at after arm's length negotiation between the Company and Grand Fort, we consider that the pricing of the Share Buy-back is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

5. Effects on the shareholding structure of the Group

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; (ii) immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares; and (iii) immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares:

	As at the Latest Practicable Date		Immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares		Immediately upon Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Mr. Chan (Notes 1, 2 & 3)	2,036,000	0.66	2,036,000	0.73	2,036,000	0.73
Smartprint	–	0.00	–	0.00	30,525,638	11.01
Noranger (Note 2)	145,914,000	47.41	145,914,000	52.63	145,914,000	52.63
Evergrade (Note 3)	25,822,896	8.39	25,822,896	9.32	25,822,896	9.32
Mr. Andrew Chan (Note 4)	792,000	0.26	792,000	0.29	792,000	0.29
Sub-total of Chan Concert						
Group	174,564,896	56.72	174,564,896	62.97	205,090,534	73.98
Grand Fort	61,051,277	19.84	30,525,638	11.01	–	0.00
Non-public Shareholders	235,616,173	76.56	205,090,534	73.98	205,090,534	73.98
Public Shareholders	72,142,349	23.44	72,142,349	26.02	72,142,349	26.02
Total	307,758,522	100.00	277,232,883	100.00	277,232,883	100.00

Notes:

1. Mr. Chan is beneficially interested in 2,036,000 Shares.
2. Noranger is wholly owned by Beyers which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan and his family members. Mr. Chan is the founder of Sow Pin Trust. Credit Suisse Trust Limited, the trustee of Sow Pin Trust, is the holding company of Brock Nominees Limited which wholly owned Global Heritage Group Limited and in turn wholly owned Beyers.
3. Evergrade is beneficially owned as to 50% by Mr. Chan and as to 50% by Beyers.
4. Mr. Andrew Chan, an executive Director and a son of Mr. Chan, is beneficially interested in 792,000 Shares.

As illustrated above, the public float of the Company shall be restored and will be above the minimum prescribed percentage of 25% as required under Rule 8.08 of the Listing Rules after Share Buy-back Completion, S&P Completion and cancellation of the Buy-back Shares.

6. Financial effects of the proposed Share Buy-back

Basic earnings per Share

The Share Buy-back will result in an enhancement in the basic earnings per Share upon the completion of the Share Buy-back which is illustrated below:

	Before the Share Buy-back HK\$	Immediately upon Share Buy- back Completion and cancellation of the Buy-back Shares HK\$	Percentage increase %
For the year ended 31 March 2019			
Basic Earnings per Shares	<u>0.083</u>	<u>0.092</u>	<u>11.01</u>

As shown in the above table and for illustration purpose only, assuming Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the Share Buy-back would not have caused any financial impact on the results of the Group and the net profit attributable to owners of the Company for the FY2019 would have remained unchanged at approximately HK\$25.53 million. As a result of the Share Buy-back, the number of issued Shares would have decreased from 307,758,522 Shares to 277,232,883 Shares. Accordingly, the basic earnings per Share for the year ended 31 March 2019 would have increased from HK\$0.083 to HK\$0.092, representing an increase of approximately 11.01%. From this perspective, we note that the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

Audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share

The Share Buy-back will result in an enhancement in the audited consolidated NAV per Share attributable to Shareholders and the audited consolidated Adjusted NAV per Share attributable to Shareholders, which is illustrated below:

	Before the Share Buy-back HK\$	Immediately upon Share Buy- back Completion and cancellation of the Buy-back Shares HK\$	Percentage increase %
As at 31 March 2019			
Audited consolidated NAV per Share (Note 1)	12.15	12.92	6.34
Audited consolidated Adjusted NAV (Note 2)	<u>12.52</u>	<u>13.33</u>	<u>6.47</u>

Notes:

1. Based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement and assuming that the unaudited pro forma NAV would have been HK\$3,582.49 million after the Share Buy-back completion in accordance with the "Unaudited Pro Forma Financial Information of the Group" as set out in the Appendix II of the Circular.
2. Based on the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed "Adjusted consolidated net asset value" in the Letter from the Board and assuming that the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma adjustments as to the "Unaudited Pro Forma Financial Information of the Group" as set out in the Appendix II of the Circular.

As shown in the above table and for illustration purpose only, based on the audited consolidated NAV of approximately HK\$3,739.92 million as at 31 March 2019 as disclosed in the 2019 Annual Results Announcement and assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the unaudited pro forma NAV would have been HK\$3,582.49 million after the Share Buy-back completion in accordance with the "Unaudited Pro Forma Financial Information of the Group" as set out in Appendix II of the Circular, the consolidated NAV per Share of the Group would have increased from approximately HK\$12.15 to approximately HK\$12.92. Based on the audited consolidated Adjusted NAV of approximately HK\$3,852.10 million as at 31 March 2019 as disclosed in the section headed "Adjusted consolidated net asset value" in the Letter from the Board and assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-back Shares had been bought back in full and cancelled, the unaudited pro forma Adjusted NAV would have been approximately HK\$3,694.66 million after making the same pro forma

adjustments as to the “Unaudited Pro Forma Financial Information of the Group” as set out in the Appendix II of the Circular, the audited consolidated Adjusted NAV per Share of the Group would have increased from approximately HK\$12.52 to approximately HK\$13.33.

Thus, the Share Buy-back would result in an approximately 6.34% and 6.47% enhancement to the audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share respectively which are due to the fact that the Buy-back Price for each Share is below both of the Company’s audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share. We note that the enhancement in audited consolidated NAV per Share and audited consolidated Adjusted NAV per Share would enable each Shareholder to entitle to a greater value per Share upon Share Buy-back Completion and therefore is in the interest of the Company and the Shareholders as a whole.

Dividend yield ratio

The Share Buy-back will result in an enhancement in the dividend yield ratio, as illustrated below:

	Before the Share Buy-back %	Immediately upon Share Buy- back Completion and cancellation of Buy-back Shares %	Increase %
Dividend yield ratio (<i>Note 1</i>)	<u>1.31</u>	<u>1.51</u>	<u>0.20</u>

Note:

1. Assuming that the Share Buy-back had taken place on 31 March 2019 and calculated by the closing price as at the Last Trading Day.

As shown in the above table and for illustration purpose only, assuming that the Share Buy-back had taken place on 31 March 2019, the Buy-back Shares have been bought back in full and cancelled, dividend yield ratio calculated by the closing price as at the Last Trading Day and the dividend payout remained unchanged, the dividend yield ratio of the Company would have increased from 1.31% to 1.51%. We note that the enhancement in dividend yield ratio would enable each Shareholder to enjoy a greater dividend yield upon the Share Buy-back Completion and therefore is in the interest of the Company and the Shareholders as a whole.

Total liabilities

As stated in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash resources. Assuming that the Share Buy-back had taken place on 31 March 2019 and the Buy-Back Shares have been bought back in full and cancelled, the total liabilities would remain unchanged.

Working capital and gearing ratio

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to the Circular and assuming that the Share Buy-back had taken place on 31 March 2019, the working capital (expressed as net current asset) would decrease by approximately 59.28% from approximately HK\$265.50 million to approximately HK\$108.08 million. The gearing ratio (calculated as total liabilities divided by total equity) would have increased by approximately 0.39% from approximately 8.89% to approximately 9.28%.

The Company are of the view that it continues to maintain sufficient and adequate working capital for its operations. Taking into account the amount of cash resources held by the Company as at the Latest Practicable Date, the Directors are of the view that the Company has adequate financial resources to finance the Share Buy-back which allowed the Company to take advantage of the opportunity to eliminate the public float insufficiency issue and enhance the Shareholders' value through the Share Buy-back, and we are of the view that the Share Buy-back will have no material adverse effect on the working capital and gearing position of the Company.

In light of the above, we are of the view that the terms of the Share Buy-back is in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

- (i) the generally strong and stable financial position of the Group as well as the amount of cash resources held by the Company as at the Latest Practicable Date which are considered to be adequate to finance the consideration of Buy-back Shares;
- (ii) that the Share Buy-back could serve to restore the public float of the Company with a higher level of certainty;
- (iii) the intention of Grand Fort to dispose of all of its current investment in the Company for other investment opportunities in one single disposal but not partial disposal;

- (iv) the enhancement on the audited consolidated NAV per Share and dividend yield ratio which shall create a greater Shareholders' value and that the slight increase in the gearing ratio shall not create material adverse impact on the financial position of the Company;
- (v) that the Buy-back Price represents a discount to the audited consolidated NAV per Share and the audited consolidated Adjusted NAV per Share as at 31 March 2019, despite that the Buy-back Price represents a premium over the current market price of the Shares;
- (vi) that the consideration of the Buy-back Shares under the Share Buy-back Agreement was determined after arm's length negotiation between the parties to the agreement after taking into account (i) the prevailing market conditions; (ii) the extremely low liquidity of the Shares; (iii) the current market prices of the Shares; (iv) the NAV per Share; and (v) the opportunity to restore the public float of the Company;
- (vii) that the Buy-back Price is within the range of the closing prices of the Shares quoted on the Stock Exchange during the Public Float Insufficiency Period;
- (viii) that the Buy-back Price, as determined by reference to, among other things, the NAV per Share, is fair and reasonable with reference to the P/B Ratio of the Comparable Companies;
- (ix) notwithstanding that all the Comparable Transactions were priced at discount to the then market price of the shares of the respective listed companies, the rationale for implementing the Share Buy-back is for complying with the regulatory requirement to restore public float which is different from the commercial rationales of the Comparable Transactions; and
- (x) the fact that Mr. Chan is willing to purchase a portion of the Shares held by Grand Fort at the price level equivalent to the Buy-back Price for the sake of reducing financial burden of the Company whilst demonstrating Mr. Chan's confidence in the future of the Group,

we are of the opinion that although the entering into of the Share Buy-back Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back Agreement (including the Buy-back Price) are on normal commercial terms and fair and reasonable and the transactions contemplated thereunder are 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 EGM to approve the Share Buy-back Agreement and the Share Buy-back contemplated thereunder.

Yours faithfully,

For and on behalf of

Founder Securities (Hong Kong) Capital Company Limited



Michael Wong

Managing Director

Note: Mr. Michael Wong has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2011. Mr. Michael Wong has more than ten years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of the Takeovers Code.