

25 September 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION:  
PURCHASE OF THE PROPERTIES  
INVOLVING ISSUE OF THE CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Purchase involving the Consideration Shares Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 25 September 2024 (the “**Circular (Update)**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular (Update).

References are made to the announcements of Company dated 27 April 2023 and 7 June 2023 and the Circular (Original) dated 14 July 2023 in relation to, among others, the Master Agreement (Original) and the transactions contemplated thereunder. On 27 April 2023, the Purchaser conditionally agreed to purchase the Properties from PRGH by entering into the Master Agreement (Original) with PRGH as vendor and the Company joined in as a party.

The proposed purchase of the Properties by the Purchaser from PRGH was approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 8 August 2023. Completion of the Master Agreement (Original) as approved by the Independent Shareholders is subject to satisfaction (or waiver) of the Conditions Precedent on or before the Long Stop Date (Original) (i.e. 30 June 2024).

Fulfilment of the Conditions Precedent is by and large depended upon delivery of vacant possession of the Properties by the Developer to PRGH after completion of the development and construction of Block A of Picasso Residence of which the Properties form part. However, completion of the development and construction of Block A of Picasso Residence by the Developer will be delayed from end of 2023 to the earliest, end of 2024.

Such delay was primarily due to unforeseen circumstances in terms of (i) the shortage of labour and disruptions in the supply chain for raw materials in the construction industry, causing the delay in completion of the external works in respect of Picasso Residence; and (ii) the delay in the obtaining of the necessary approvals from key agencies and authorities by the Developer, such as for the dismantling of tower crane and passenger hoist, and the fitting/connection of tapping points for water and sewage.

Based on the latest information from the Developer, Block A of Picasso Residence has been completed following the issue of a Certificate of Completion and Compliance dated 6 September 2024. As such, the Directors anticipate no further delay in completing Block A of Picasso Residence. In the unlikely event of further delay in the Long Stop Date (Extended), the Directors acknowledge that it would constitute a material change or delay requiring fresh approval of the Shareholders.

As a result of the delay, the Conditions Precedent cannot be fulfilled by the Long Stop Date (Original) of 30 June 2024. The Purchaser, PRGH and the Company therefore entered into the Supplemental Master Agreement No. 2 postponing the Long Stop Date (Original) of 30 June 2024 to the Long Stop Date (Extended) conditional upon approval by the Independent Shareholders and the independent non-interest shareholders of PRGH detailed in this circular.

An independent board committee (the “**Independent Board Committee**”) of the Board comprising all the independent non-executive Directors, namely Mr. Ho Ming Hon, Dato’ Sri Dr. Hou Kok Chung and Dato’ Lee Chee Leong, has been established for the purposes of giving recommendations to the Independent Shareholders on the EGM Matters. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee’s consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we are not connected with the Group, PRGH, or where applicable, any of the respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 17.96 of the GEM Listing Rules. During the last two years, we were engaged as the independent financial adviser to the Company (the “**Previous Engagement**”) in respect of the Master Agreement (Original), details of which were stated in the “Letter from Octal Capital” of the Circular (Original). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and/or the Independent Shareholders in respect of the relevant transactions.

Apart from normal professional fees payable to us by the Group in connection with these appointments, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Group, or any of its respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 17.96 of the GEM Listing Rules.



In formulating our opinion, we have relied on (i) the Company's annual report for the years ended 31 December 2022 (the **"2022 Annual Report"**) and 2023 (the **"2023 Annual Report"**); (ii) the Company's interim results announcement for the six months ended 30 June 2024 (the **"2024 Interim Results Announcement"**); (iii) the Master Agreement; (iv) the Supplemental Master Agreement No. 2; (v) the announcements of the Company dated 27 April 2023, 7 June 2023 and 2 July 2024; (vi) the Circular (Original); (vii) the information and facts contained or referred to in the Circular (Update); (viii) the information supplied by the Group; (ix) the opinions expressed by and the representations of the professional parties engaged by the Group; and (x) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular (Update) and have assumed that all information and representations made or referred to in the Circular (Update) were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Group regarding the Supplemental Master Agreement No. 2, the information and representations contained in the Circular (Update). We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Group in the Circular (Update) were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular (Update) and to provide a reasonable basis for our advice. We have no reason to either suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular (Update) or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Supplemental Master Agreement No. 2, we have considered the following principal factors and reasons:

### **1. Background information of the Group**

The principal activities of the Group are principally engaged in the manufacturing and sales of elastic textile, webbing and rubber tape related products (the **"Manufacturing Segment"**), and energy efficiency business (the **"Energy Efficiency Segment"**). The Company disposed of the subsidiaries which engaged in the manufacturing of polyvinyl chloride products under the Manufacturing Segment on 30 September 2023. Set out below is a summary of (i) the consolidated audited financial information of the Group for the years ended 31 December 2022 (**"FY2022"**) and 2023 (**"FY2023"**) as extracted from the 2022 Annual Report and the 2023 Annual Report, and (ii) consolidated unaudited financial information of

the Group for the six months ended 30 June 2024 as extracted from the 2024 Interim Results Announcement:

*Consolidated financial results of the Group*

	<b>FY2022</b>	<b>FY2023</b>	<b>1H2023</b>	<b>1H2024</b>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Manufacturing	112,145	96,113	49,979	44,569
Energy efficiency	49,754	120,546	56,848	40,734
Others	256	171	85	69
<b>Total revenue</b>	<u>162,155</u>	<u>216,830</u>	<u>106,912</u>	<u>85,372</u>
Gross profit	41,402	54,784	24,291	23,723
Gross profit margin	25.5%	25.3%	22.7%	27.8%
<b>Profit for the year/period</b>	18,167	12,456	2,492	4,351

*For 1H2024*

Revenue of the Group decreased by approximately 20.1% from RM106.9 million for 1H2023 to RM85.4 million for 1H2024, mainly due to lower revenue contributed by the Energy Efficiency Segment and Manufacturing Segment. Revenue generated from the Manufacturing Segment accounted for approximately 52.2% of the Group's total revenue for 1H2024. Such revenue decreased by approximately 10.8% to RM44.6 million for 1H2024 as compared to RM50.0 million for 1H2023, mainly due to the revenue of RM7.0 million for 1H2023 was contributed by the sale of polyvinyl chloride related products business disposed of on 30 September 2023. The Energy Efficiency Segment contributed revenue of approximately RM40.7 million to the Group for 1H2024, which accounted for approximately 47.7% of the Group's total revenue for 1H2024. Such revenue decreased significantly by approximately 28.3% to RM40.7 million for 1H2024 as compared to RM56.8 million for 1H2023, mainly due to lower project revenue recognised during 1H2024 as a few projects were at completion stage and most of the revenue was recognised in FY2023 whereas the new projects were at start-up stage during 1H2024.

The gross profit margin of the Group increased from approximately 22.7% for 1H2023 to 27.8% for 1H2024, mainly due to the disposal of subsidiaries with low gross profit margin in September 2023 by the Group, higher sales from certain higher gross profit margin products for the Manufacturing Segment and higher services income with higher gross profit margin for the Energy Efficiency Segment during 1H2024.



Profit for 1H2024 amounted to approximately RM4.4 million, which was higher than the profit for 1H2023 of RM2.5 million, representing an increase of approximately 76.0%, the lower net profit for 1H2023 was mainly due to the net loss of RM6.3 million from the subsidiaries which were disposed of by the Group in September 2023. By excluding the net loss from these subsidiaries in 1H2023, the Group recorded lower profit for 1H2024 mainly due to lower profit contributed by the Energy Efficiency Segment.

*For FY2023*

Revenue of the Group increased by approximately 33.7% from RM162.2 million for FY2022 to RM216.8 million for FY2023. Revenue generated from the Energy Efficiency Segment accounted for approximately 55.6% of the Group's total revenue for FY2023. Such revenue increased significantly by approximately 142.3% to RM120.5 million for FY2023 as compared to RM49.8 million for FY2022, mainly due to the fact that Energy Solution Global Limited and its subsidiaries became wholly-owned subsidiaries of the Group since 29 August 2022 and there were only four months of revenue being consolidated into the Group for FY2022, whereas in FY2023, the Group recognized the full-year revenue from the Energy Efficiency Segment. Besides, the Energy Efficiency Segment recorded a strong revenue growth by recognising progress completion for new and on-going projects during FY2023. The Manufacturing Segment contributed revenue of approximately RM96.1 million to the Group for FY2023, which accounted for approximately 44.3% of the Group's total revenue for FY2023. Such revenue decreased by approximately 14.3% to RM96.1 million for FY2023 as compared to RM112.1 million for FY2022, mainly due to the slowdown in global demand and excess inventories built up in the previous years in various industries as well as disposal of a subsidiary under the Manufacturing Segment, namely Meinaide Holdings Group Limited, in the third quarter of FY2023.

The gross profit margin of the Group slightly decreased from approximately 25.5% for FY2022 to 25.3% for FY2023, mainly due to a one-off provision of slow-moving stocks of polyvinyl chloride related products which amounted to approximately RM2.5 million during FY2023.

Profit for FY2023 amounted to approximately RM12.5 million, which was lower than the profit for FY2022 of RM18.2 million, representing a decreased of approximately 31.3%, mainly due to one-off impairment losses on trade receivables and provision for slow moving stock.

*Consolidated financial position of the Group*

	As at 31 December 2023 RM'000 (audited)	As at 30 June 2024 RM'000 (unaudited)
Property, plant and equipment	26,160	29,654
Right-of-use assets	12,137	11,340
Intangible assets	15,423	15,447
Other non-current assets	1,278	1,211
<b>Total non-current assets</b>	<b>54,998</b>	<b>57,652</b>
Inventories	19,272	20,261
Trade and other receivables	54,274	53,576
Cash and bank balances	42,970	33,373
Other current assets	28,362	30,358
<b>Total current assets</b>	<b>144,878</b>	<b>137,568</b>
<b>Total assets</b>	<b>199,876</b>	<b>195,220</b>
Trade and other payables	34,952	20,108
Bank borrowings	3,118	3,655
Contract liabilities	1,151	5,932
Other current liabilities	5,665	4,531
<b>Total current liabilities</b>	<b>44,886</b>	<b>34,226</b>
Bank borrowings	8,740	11,261
Lease liabilities	4,900	4,073
Deferred tax liabilities	2,951	2,906
<b>Total non-current liabilities</b>	<b>16,591</b>	<b>18,240</b>
<b>Net current assets</b>	<b>99,992</b>	<b>103,342</b>
<b>Total liabilities</b>	<b>61,477</b>	<b>52,466</b>
<b>Total equity</b>	<b>138,399</b>	<b>142,754</b>
<b>Current ratio<sup>1</sup></b>	<b>3.23x</b>	<b>4.02x</b>

*Note:*

1. Being current assets divided by current liabilities



As at 31 December 2023, total assets of the Group were approximately RM199.9 million which mainly comprised of (i) trade and other receivables of approximately RM54.3 million; (ii) cash and bank balances of approximately RM43.0 million; and (iii) inventories of approximately RM19.3 million, whilst total liabilities of the Group were approximately RM61.5 million, which mainly included (i) trade and other payables of approximately RM35.0 million; and (ii) bank borrowings of approximately RM11.9 million. As at 31 December 2023, the Group had net current assets of approximately RM100.0 million with a current ratio of approximately 3.23 times.

As at 30 June 2024, total assets of the Group were approximately RM195.2 million which mainly comprised of (i) trade and other receivables of approximately RM53.6 million; (ii) cash and bank balances of approximately RM33.4 million; and (iii) inventories of approximately RM20.3 million, whilst total liabilities of the Group were approximately RM52.5 million, which mainly included (i) trade and other payables of approximately RM20.1 million; and (ii) bank borrowings of approximately RM14.9 million. As at 30 June 2024, the Group had net current assets of approximately RM103.3 million with a current ratio of approximately 4.02 times.

## **2. Information of the Properties**

Picasso Residence is a two-phase residential development comprising Block A with 270 condominium (Phase 1) and Block B with 202 condominiums (Phase 2). As at the Latest Practicable Date, Phase 1 of Picasso Residence has been completed following the issue of a Certificate of Completion and Compliance dated 6 September 2024. The structural work of Phase 2 was completed, the remaining work such as mechanical, electrical, plumbing and furnishing work has commenced in or about January 2024 and is expected to be completed by the second quarter of 2025.

The subject site upon where Picasso Residence is constructed is a parcel of development land held under the Master Title Pajakan Negeri 52579, Lot No. 20010, Seksyen 88, Bandar and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur, measuring 14,307 square metres. The Properties are leasehold properties with leasehold interest for 99 years expiring on 17 February 2108.

The Properties comprise 50 units of condominium located on the 16th to 37th floors of Block A of Picasso Residence. Block A of Picasso Residence is a multi-storey building with 270 condominiums. The total built up area of the 50 units of condominium is approximately 72,920 Sq. Ft.

As at the Latest Practicable Date, the pre-sold units of Block A were 265 units, including the Properties.

The Valuation (Original) and the Valuation (Update) is RM70,355,000 and RM65,180,000 respectively, as appraised by the Independent Valuer.

### 3. Reasons for and benefits of the Purchase

#### *Prospect of the Malaysia real estate market*

The Malaysian economy has maintained moderate growth in recent years. The GDP per capita of Malaysia has risen from approximately US\$11,228.3 in 2019 to US\$12,570.5 in 2023, representing a CAGR of approximately 2.9%. During the second quarter of 2024, Malaysia's GDP grew by 5.9%, up from 4.2% in the first quarter of 2024. With increasing urbanization in Malaysia, the demand for residential properties is expected to remain persistent. According to the World Bank, the urban population of Malaysia increased from approximately 25.1 million in 2019 to approximately 27.0 million in 2023, representing a CAGR of approximately 1.82%. As the capital and largest city of Malaysia, Kuala Lumpur is a center for security, politics, economics, culture, and diplomacy, accounting for the majority of investments and transportation in Malaysia.

The Malaysian real estate market has also demonstrated consistent growth. According to Jabatan Penilaian dan Perkhidmatan Harta ("JPPH"), being the valuation and property management department of Malaysia government, the volume of residential property transactions in Malaysia has increased from 243,190 transactions in 2022 to 250,586 transactions in 2023, representing an annual increase of approximately 3.0%. Additionally, the Malaysian House Price Index (MHPI) has risen from approximately 209.8 in 2022 to approximately 216.5 in 2023, representing an annual increase of approximately 3.2%. Moreover, according to "Greater Kuala Lumpur Property Market Monitor 1Q24" issued by JLL Property Services (Malaysia) Sdn Bhd in April 2024, there is a strong demand for rentals of prime high-rise residential properties. The growth was attributed to a growing number of individuals opting to reside in these areas for extended periods, as well as an increase in short-term renters and international students. The Directors considered the macro economic conditions and the residential property market do not reveal material adverse change after the entering into of the Master Agreement.

#### *Prime location of the Properties*

According to the Valuation Report (Update) on the Properties prepared by the Independent Valuer as set out in the Appendix III to the Circular (Update), the Properties are situated north of the intersection between Jalan Ampang and Jalan Jelatek in Kuala Lumpur. The Properties' location indicates it is close to the center of Kuala Lumpur and has transportation links, with a close driving distance to the iconic Petronas Twin Towers. The surrounding area is a well-developed residential and commercial hub with access to public facilities and several international schools. Additionally, the Properties are in close proximity to several embassies, including those of the Republic of Korea, Laos, Romania, Russia, and Italy.



*Business diversification and stable income stream*

As stated in the Letter from the Board, the Company has been focusing on diversifying its business in response to the challenging global business environment and actively seeking investment opportunities in Malaysia and other markets to complement existing businesses and evolve into a diversified business group, ultimately enhancing Shareholders' value.

The Company's core business has evolved from elastic textiles to include the manufacturing of polyvinyl chloride related products, which was subsequently disposed. They have since expanded into energy efficiency solutions through acquisitions, which significantly contributed to their revenue growth in FY2023, but its revenue model is largely on project basis and revenue recognition is in line with project progress. To mitigate these risks and enhance financial flexibility, the Purchase enables the Company to cultivate stable rental revenue and possible value growth, mitigating cash flow fluctuations and enhancing comprehensive liquidity oversight.

The Properties are situated in a prime commercial and residential area in Kuala Lumpur, with close proximity to major developments, educational institutions, and transportation hubs. The Company plans to lease the Properties for rental income to stabilize their revenue streams alongside their existing Manufacturing Segment and Energy Efficiency Segment. Despite recent global political and economic events, the Company remains committed to the benefits including business diversification and a focus on generating rental income to support their core operations.

Considering the benefits of diversification of business, the potential for stable long-term cash flow from rental income, the upside potential in the value of the Properties based on their prime location and Malaysia's growth prospects, and the steady market conditions after the entering into of the Master Agreement, we concur with the Directors that the Purchase remains commercially justifiable and the proposed diversification into the property investment business after Completion could represent an opportunity for the Group to establish a new and promising business segment for the Group in the long run.

**4. Principal terms of the Supplemental Master Agreement No. 2**

Set out below is a summary of the principal terms of the Supplemental Master Agreement No. 2. Shareholders are advised to read further details of Supplemental Master Agreement No. 2 set out in the Letter from the Board:

Date: 29 June 2024

Parties

- (1) PRGH (as vendor)
- (2) the Purchaser (as purchaser), a wholly-owned subsidiary of the Company incorporated in Malaysia; and
- (3) the Company.

PRGH is a connected person of the Company for being a controlling shareholder of the Company. Further details of PRGH are set out in “Letter from the Board — Information on PRGH” in this Circular.

Subject Matter  
and condition  
precedent:

postponing the Long Stop Date (Original) of 30 June 2024 to the Long Stop Date (Extended) conditional upon approval by the Independent Shareholders of the Company and the independent non-interest shareholders of PRGH as detailed in this Circular as follows:

- (a) the obtaining of the approval from the Independent Shareholders at an extraordinary general meeting of the Company to the Master Agreement (Original) as varied, supplemented and amended by the Supplemental Master Agreement No. 2 including the purchase of the Properties by the Purchaser from PRGH, the allotment and issue of the Consideration Shares to PRGH at the Issue Price and the grant of the Specific Mandate therefor and the other transactions contemplated under the Master Agreement (Original) as varied, supplemented and amended by the Supplemental Master Agreement No. 2; and
- (b) the receipt by PRGH of the approval from the independent non-interest shareholders of PRGH at an extraordinary general meeting of PRGH for the sale of the Properties by PRGH to the Purchaser under the Master Agreement (Original) as varied, supplemented and amended by the Supplemental Master Agreement No. 2.

Save the postponement of the Long Stop Date (Original) of 30 June 2024 to the Long Stop Date (Extended) there is no change in the other terms and conditions of the Master Agreement (Original) all of which remain valid and binding on the Purchaser, PRGH and the Company.



Other than the change in the Long Stop Date (Original) of 30 June 2024 to the Long Stop Date (Extended), there is no change in the other terms and conditions of the Master Agreement (Original). Set out below is a summary of the principal terms of the Master Agreement. Shareholders are advised to read further details of the Master Agreement set out in the Letter from the Board:

Conditions	Completion is subject to the satisfaction (or waiver) of the
Precedent:	following Conditions Precedent on or before the Long Stop Date
	(Extended):

**Conditions Precedent to be fulfilled by PRGH**

- (a) the receipt by the Purchaser of the Certificate of Completion and Compliance issued by principal submitting person in accordance with the Uniform Building By-Laws of the Street, Drainage and Building Act 1974 (“PSP”);
- (b) (i) the issuance of a letter of confirmation or notice of delivery of vacant possession of the Properties issued by the Developer to PRGH confirming delivery of vacant possession of the Properties by Developer to PRGH and (ii) subsequently the issuance of a letter of confirmation of the delivery of vacant possession of the Properties by PRGH to the Purchaser within 10 business days (or such longer period as PRGH, the Purchaser and the Company may agree in writing) from the S433B Foreign Consent Approval Date or if the S433B Foreign Consent Approval is not required, from the date of the Individual SPAs (“VP to Purchaser”);
- (c) the receipt by PRGH of the approval from the independent non-interest shareholders of PRGH at an extraordinary general meeting of PRGH for the sale of the Properties by PRGH to the Purchaser under the Master Agreement;
- (d) the receipt by PRGH of the written approval of the State Authority (being the Kuala Lumpur Federal Territory Land Registry) pursuant to Section 433B of the National Land Code (Revised 2020) in respect of the transaction contemplated under the Principal Sale Agreements;
- (e) the obtaining of the Developer’s written confirmation in respect of the following matters pursuant to Section 22D(4) of the Housing Development (Control & Licensing) Act 1966:
  - (i) the particulars of the Properties;
  - (ii) postal address of the Properties;

- (iii) the current purchaser and charge (if any) of the Properties;
- (iv) the current charge or assignee of the Properties;
- (v) the total amount, if any, due to the Developer under each Principal Sale Agreement as at the date of the letter of confirmation,

**provided that** none of the above matters confirmed by the Developer shall be adverse to the rights and interests of the Purchaser under the Master Agreement or of and in the Properties and PRGH shall comply with all of the terms and conditions as may be imposed by the Developer and in the respective confirmations aforementioned as soon as practical from the date of receipt of the Developer's letter of confirmation;

**Conditions Precedent to be fulfilled by the Company**

- (f) the obtaining of the approval from the Independent Shareholders at the EGM to the Master Agreement, including the purchase of the Properties by the Purchaser from PRGH, the Consideration Shares Issue, the grant of the Specific Mandate and the other transactions contemplated under the Master Agreement;
- (g) the GEM Listing Committee granting the listing of, and permission to deal in, the Consideration Shares, on GEM;

**Conditions Precedent to be fulfilled by the Purchaser**

- (h) the approval from the board of directors and shareholder of the Purchaser for the acquisition of the Properties on the terms and conditions of the Master Agreement, and the entry of the Master Agreement by the Purchaser;
- (i) the issue of a legal opinion from the legal advisers to the Purchaser as to Malaysian laws to the satisfaction of the Purchaser confirming good title of the Properties free from all encumbrances and rights of third parties, due completion of the Principal Sale Agreements, the Properties are free from all restrictions in interest, conditions, and category of use, express or implied in the master title to the Properties, the transferability of the Properties pursuant to the terms and conditions of the Master Agreement; and



- (j) (if required) the receipt by the Purchaser of the S433B Foreigner Consent Approval.

Save the Condition Precedent set out in paragraph (i) above which may only be waived by the Purchaser prior to the Long Stop Date (Extended) in writing to PRGH, none of the Conditions Precedent may be waived by any party.

If any of the Conditions Precedent is not satisfied (or if can be waived, is not waived) by the Long Stop Date (Extended), PRGH shall, amongst others, refund all the Cash Consideration, free of interest, to the Company within 7 days from the Long Stop Date (Extended) and the Master Agreement shall be terminated and be of no further effect.

The Master Agreement shall become Unconditional on the Unconditional Date.

As at the Latest Practicable Date, save for condition (a) which has been fulfilled, none of the above conditions has been waived or fulfilled.

Consideration and  
payment terms:

RM61,982,000.00 (equivalent to HK\$109,689,545.40 at the Agreed Exchange Rate) shall be paid by the Company for and on behalf of the Purchaser in the following manner:

- (1) the Cash Consideration shall be paid in the following manner and shall form part of the Consideration:
  - (a) 10% of the Consideration (equivalent to RM6,198,200.00) shall be paid and has been paid in cash within 14 days from the date of the Master Agreement (Original); and
  - (b) 2% of the Consideration (equivalent to RM1,239,640.00) shall be paid and has been paid in cash within 14 days from the date of the Supplemental Master Agreement; and
- (2) the Consideration Balance (equivalent to RM54,544,160) shall be satisfied by the Consideration Shares Issue within the Consideration Shares Settlement Period.

Completion:

Completion shall take place on the date of issuance of the Consideration Shares.

## 5. Basis of the Consideration

The Consideration of the Properties of RM61,982,000 was determined after arm's length negotiation between PRGH and the Purchaser having regard to the Valuation (Original) of RM70.4 million as at 5 July 2023 appraised by the Independent Valuer. According to the Valuation Report (Update) on the Properties prepared by the Independent Valuer as set out in the Appendix III to the Circular (Update), the Valuation (Update) amounted to RM65.2 million, representing a decrease of approximately 7.4% when compared to the Valuation (Original). The Consideration therefore represents a discount of approximately 11.90% to the Valuation (Original) and a discount of approximately 4.9% to the Valuation (Update).

Regarding the Valuation Report (Update), we have performed the works with reference to Note 1(d) to Rule 17.92 of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report (Update), which included (i) assessment of the Independent Valuer's experiences in valuing properties similar to the Properties; (ii) obtaining information on the Independent Valuer's track records on other property valuations; (iii) inquiry on the Independent Valuer's current and prior relationship with the Group and other parties; (iv) review of the terms of the Independent Valuer's engagement, in particular its scope of work, for the assessment of the Valuation Report (Update); and (v) discussion with the Independent Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report (Update).

### *(i) The Independent Valuer*

We have conducted a telephone interview with the Independent Valuer to enquire its experience in valuing similar property interests in Malaysia. We noted that the Independent Valuer had acted as the valuer for public companies listed in Malaysia for similar transactions involving sale and purchase of properties in Malaysia. In addition, we understand that the Independent Valuer is a member of Malaysian Institute of Property and Facility Managers (MIPFM), Royal Institution of Surveyors Malaysia (RISM), Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS). Mr. Loo has over 23 years' experience in valuation of properties in Malaysia. As such, we are of the view that Mr. Loo, being the signor of the Independent Valuer, is qualified, experienced and competent in performing the Valuation (Update) and the Valuation (Original).

We have also enquired with the Independent Valuer as to its independence from the Company and the parties and were given to understand that the Independent Valuer is an independent third party of the Company and its connected persons. The Independent Valuer confirmed to us that it was not aware of any relationship or interest between itself and the Company or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. Apart from normal professional fees payable to it in connection with its engagement for the Valuation (Update), the Independent Valuer confirmed that no arrangements exist whereby it will receive any fee or benefit from the Company and its associates. Given the above, we are of the view that the Independent Valuer is independent from the Company in respect of the Valuation (Update).



Furthermore, we have reviewed the terms of engagement of the Independent Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report (Update).

*(ii) Valuation basis*

As stated in the Valuation Report (Update), the Valuation (Update) is conducted in compliance with the Securities Commission Malaysia's Asset Valuation Guidelines, Malaysian Valuation Standards and the International Valuation Standards. Based on our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used in arriving at the Valuation (Update). We understand that the Independent Valuer has carried out inspection, made relevant enquiries and searches for the purpose of the Valuation (Update), including but not limited to the pre-sales transactions record in relation to Block A of Picasso Residence. We have reviewed and discussed with the Independent Valuer the basis adopted in arriving at the value of the Properties. Taking into consideration of the nature of the Properties and that the Valuation (Update) is conducted in accordance with the aforesaid requirements, we consider that the basis adopted by the Independent Valuer for determining the market value of the Properties are appropriate.

*(iii) Valuation methodology*

As disclosed in the Valuation Report (Update), the Independent Valuer adopts comparison approach in valuing the Properties.

According to our discussion with the Independent Valuer, valuations of completed properties are normally conducted in comparison approach and/or income approach. We understand that given data on comparable premises/properties in the Malaysia property market are mostly publicly available, the Independent Valuer considered the adoption of the comparison approach as most appropriate as it could provide a more objective result. In fact, the comparison approach is universally considered as the most accepted valuation approach for valuing most forms of properties. On the contrary, given that the Properties are currently in the construction phase and undergoing the application for the Certificate of Completion and Compliance ("CCC") such that there are no supporting or actual rental data of the Properties to adopt the income approach, the Independent Valuer is of the opinion that the income approach is less suitable compared to the comparison approach. We understand from the Independent Valuer that the Valuation (Update) was determined based on the assumption that the construction of the Properties is fully completed according to the approved building plans and specifications, and have been issued a CCC by the relevant authority, which is one of the condition precedents of the Master Agreement. As a result, we are of the view that a comparison with the samples of comparable premises/properties is a fair and reasonable approach. Given that comparable premises/properties are available for analysis, we are of the view that these comparable premises/properties provide objective benchmarks for the Valuation (Update). Accordingly, we agree with the Independent Valuer that the comparison approach is appropriate for the Valuation (Update).

The Properties comprises 50 units of condominium. Based on our discussion with the Independent Valuer, during the course of the Valuation (Update) under the comparison approach, the Independent Valuer has considered and analysed the sale comparables of properties which fulfilled their selection criteria, including location, level, usage and built-up area. Five comparable sale transactions (the “Comparable Sale Transactions”) are selected as the Independent Valuer is of the view that the properties of the Comparable Sale Transactions fulfilled the selection criteria.

The following table sets forth the summary of the Comparable Sale Transactions:

Comparable	1	2	3	4	5
Name of Residence	Setia Sky Residence	Setia Sky Residence	M City	M City	Reizz Residence
Unit No.	C-13-2	A-23A-3	3-23-18	3-33A-01	45-01
Built Up Area	1,206	1,582	990	883	893
Floor/Level	13	24	23	34	45
Date of Transaction	3/4/2024	29/4/2024	31/1/2024	31/1/2024	10/8/2023
Consideration	RM1,050,000/—	RM1,400,000/—	RM520,000/—	RM480,000/—	RM900,000/—
Transaction rate (psf)	RM871	RM885	RM525	RM544	RM1,008
Adjustment	General adjustments are made on the time factor, floor/level, tenure, age/condition of building, designed/concept/facilities and service provided				
Adjusted rate (psf)	RM1,016	RM1,014	RM610	RM600	RM990

Based on the above table, the properties within the Comparable Sale Transactions are situated in the Kuala Lumpur city center. Similar to the Properties, these properties are service apartments categorized for commercial use with freehold tenure located within 5 kilometers of the Properties. All the Comparable Sale Transactions fall within a year preceding the Supplemental Master Agreement No. 2. The sizes of these properties range from around 883 Sq. Ft to approximately 1,582 Sq. Ft.

The unit rate adopted in the Valuation (Update) is within the range of the effective saleable unit rates of the Comparable Sale Transactions after due adjustments on the effective unit saleable rates of the Comparable Sale Transactions in terms of their different attributes such as timing of the transactions, floor level, size, tenure, building condition, design, facilities, and property management services. The adopted unit rate is RM987 psf for the benchmark unit (the “**Benchmark Unit Rate**”) on the basis of effective saleable area. We understand that the Independent Valuer multiplied the Benchmark Unit Rate with the corresponding area of all units of the Properties after adjustments on the Benchmark Unit Rate to reflect the variations of different units of the Properties, including their floor level, size and view. By summing up the valuations of all the units of the Properties, the Independent Valuer arrived at the updated valuation of RM65,180,000 for the Properties. We consider that the rationale behind these adjustments is fair and reasonable.



In addition to the Comparable Sale Transactions, the Valuation Report (Update) also disclosed a summary of sales transactions of other Type A unit (with built-up area of 1,013 Sq. Ft.) and Type C unit (with built-up area of 1,668 Sq. Ft.) in Picasso Residence (the “**Properties Transactions**”). The Properties Transactions were recently entered into between the developer and other purchasers in 2023 and 2024. The average unit rate of the Properties Transactions for the Type A unit and Type C unit are approximately RM1,360 and RM1,269 psf respectively.

According to the Valuation Report (Update), the market value of each Type A unit of the Properties under the Valuation (Update) ranges from approximately RM987.0 to RM1,032.9 psf, while the market value of each Type C unit of the Properties under the Valuation (Update) ranges from approximately RM841.9 to RM884.2 psf. Upon comparison, the market value for both Type A and Type C units of the Properties represents a discount to the average transaction price for the same types of units of the Properties Transactions. Such discount ranges from 24.1% to 27.4% for Type A unit; and 30.3% to 33.7% for Type C unit. We noticed that the discount was mainly due to the base rate applied in the Valuation (Update) which was derived from the actual transaction price of the most comparable transaction among the Comparable Sale Transactions, being the transaction of Reizz Residence, whose transaction price was lower than those of the Properties Transactions.

*(iv) Valuation assumptions*

The Valuation (Update) assumes the Properties are fully completed in accordance with the approved building plans and specifications and duly issued with a CCC, issued by the relevant authority, with vacant possession and free from encumbrances at values as shown in the Valuation Report (Update). In this regard, we noted from the Independent Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the Properties the same way as other similar properties in the open market, the construction of the Properties will fully be completed upon Completion, and that nothing material has come to our attention, we are of the view that these valuation assumptions are fair and reasonable.

*Conclusion*

Taking into account (i) the scope of work and experiences of the Independent Valuer; (ii) the reasons and appropriateness of adopting the comparison approach for the Valuation (Update); (iii) the basis, assumptions and methodology adopted in the Valuation Report (Update); and (iv) the valuation work performed by the Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report (Update) by the Independent Valuer. In view of the above, we consider that the Valuation (Update) as well as the basis, assumptions and methodology adopted are appropriate. On this basis, we consider the Consideration is fair and reasonable.

## 6. The Consideration Shares Issue Price

As disclosed in the Letter from the Board, the Consideration Shares Issue Price, as determined after arm's length negotiation between the Company and the Vendor with reference to the recent price performance of the Shares and the prevailing market conditions prior to the Master Agreement, remained unchanged at HK\$0.30.

The Consideration Shares Issue Price therefore represents:

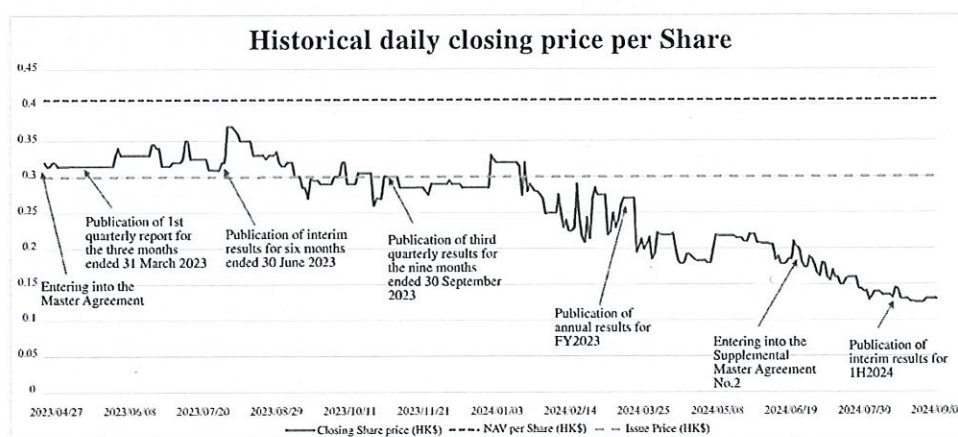
- (i) a premium of approximately 42.86% to the closing price of the Shares of HK\$0.21 per Share as quoted on the Stock Exchange on 29 June 2024, being the date of the Supplemental Master Agreement No. 2;
- (ii) a premium of approximately 59.40% to the closing prices of the Shares of HK\$0.1882 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Supplemental Master Agreement No. 2;
- (iii) a premium of approximately 57.32% to the average of the closing prices of the Shares of HK\$0.1907 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Supplemental Master Agreement No. 2; and
- (iv) a discount of approximately 28.57% to the unaudited net asset value per Share of the Company as at 30 June 2024 of RM0.24 (equivalent to HK\$0.42).

In order to assess its fairness and reasonableness, we have compared the Consideration Shares Issue Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of consideration shares, as set out below.



(a) *Analysis of the historical Share price performance*

In assessing the fairness and reasonableness of the Consideration Shares Issue Price, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange for the period from the date of the Master Agreement (i.e. 27 April 2023) to the Latest Practicable Date (the “Review Period”). We consider that the duration of the Review Period reasonable so as to reflect the general trend and recent market valuation based on the closing price of the Shares on the Stock Exchange.



Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As illustrated above, during the Review Period, the Share price showed a general descending trend and fluctuated between HK\$0.125 (on 4 September, 5 September, 9 September and 10 September of 2024 (the “Lowest Closing Price”) and HK\$0.37 (on 9 August 2023, 10 August 2023 and 11 August 2023) (the “Highest Closing Price”) per Share. The average closing price of the Shares during the Review Period was approximately HK\$0.26 per Share (the “Average Closing Price”).

Following the publication of the entering into of the Master Agreement in late April 2023 and the first quarterly results announcement for the three months ended 31 March 2023 of the Company in early May 2023, the closing price of the Shares traded within a range between HK\$0.31 per Share and HK\$0.35 per Share. Thereafter, following the publication of the interim results announcement of the Company for the six months ended 30 June 2023 on 8 August 2023, the Share price experienced a temporary upward trend and reached the Highest Closing Price of HK\$0.37 per Share on 9 August 2023, 10 August 2023 and 11 August 2023. Subsequently, the Share price dropped to HK\$0.26 per Share on 1 November 2023 and rebounded back to HK\$0.3 per Share following the publication of the third quarterly results announcement of the Company for the nine months ended 30 September 2023 on 8 November 2023. From then on, the Share price generally exhibited a downward trend and hit HK\$0.179 per Share on 25 April 2024.

The Share price has been traded below the Consideration Shares Issue Price since mid-January 2024. Prior to the publication of the entering into the Supplemental Master Agreement No. 2, the closing price of the Shares traded within a range between HK\$0.179

per Share and HK\$0.22 per Share from 26 April 2024 to 2 July 2024 and subsequently experienced a downward trend and hit HK\$0.129 on 8 August 2024, being the date following the publication of the 2024 Interim Results Announcement. Subsequently, the closing price of the Shares maintained its decline and reached its lowest point during the Review Period at HK\$0.125 on 4 September 2024.

Although the Share price has demonstrated a general downward trend during the period between the entering of the Master Agreement and the Supplemental Master Agreement No. 2, the Consideration Shares Issue Price remains unchanged at HK\$0.30 which is higher than the closing prices of the Shares in 213 out of 343 trading days, or 62.1% of the total number of trading days during the Review Period.

The Consideration Shares Issue Price of HK\$0.30 also represents (i) a premium of approximately 140.0% over the Lowest Closing Price of HK\$0.125 per Share; (ii) a discount of approximately 18.9% to the Highest Closing Price of HK\$0.37 per Share; (iii) a premium of approximately 15.4% over the Average Closing Price of approximately HK\$0.26 per Share; and (iv) a discount of approximately 26.3% and 28.6% to the audited net asset value per Share as at 31 December 2023 of approximately RM0.23 per Share (equivalent to HK\$0.41 per Share) and the unaudited net asset value per Share as at 30 June 2024 of approximately RM0.24 per Share (equivalent to HK\$0.42 per Share) respectively.

**(b) Liquidity Analysis**

Set out below are details of monthly trading volumes and the percentage of the Shares' average daily trading volume relative to the total number of issued Shares as at the end of the month during the Review Period:

Month	Total volume of Shares traded (Shares)	Number of trading days (days)	Average daily volume (Shares)	Number of issued Shares as at the end of the month (Shares)	% of average daily trading volume to the then total number of issued Shares as at the end of the month (%)
<b>2023</b>					
April	1,632,000	2	816,000	601,565,600	0.136
May	1,392,000	21	66,286	601,565,600	0.011
June	2,312,000	22	105,091	601,565,600	0.017
July	1,148,000	6	191,333	601,565,600	0.032
August	904,000	23	39,304	601,565,600	0.007
September	1,568,000	19	82,526	601,565,600	0.014
October	952,000	20	47,600	601,565,600	0.008
November	1,120,000	22	50,909	601,565,600	0.008
December	1,256,000	19	66,105	601,565,600	0.011



Month	Total volume of Shares traded (Shares)	Number of trading days (days)	Average daily volume (Shares)	Number of issued Shares as at the end of the month (Shares)	% of average daily trading volume to the then total number of issued Shares as at the end of the month (%)
<b>2024</b>					
January	1,824,000	22	82,909	601,565,600	0.014
February	6,724,000	19	353,895	601,565,600	0.059
March	3,592,000	20	179,600	601,565,600	0.030
April	3,496,000	20	174,800	601,565,600	0.029
May	216,000	21	10,286	601,565,600	0.002
June	2,060,000	19	108,421	601,565,600	0.018
July	4,936,000	22	224,364	601,565,600	0.037
August	2,076,000	22	94,364	601,565,600	0.016
September	156,000	11	14,182	601,565,600	0.002

Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the table above, the average daily volume of the Shares has been generally thin during the Review Period, with average trading volume between approximately 0.002% to approximately 0.136% to the then total number of issued Shares as at the end of their respective month. The highest average daily volume was approximately 816,000 Shares in April 2023, representing approximately 0.136% of the number of issued Shares. The lowest average daily volume was approximately 10,286 Shares in May 2024 and 14,182 Shares in September 2024 and up to the Latest Practicable Date, both representing approximately 0.002% of the number of issued Shares.

**(c) Analysis of Comparable Consideration Shares Issue Transactions**

To further assess the fairness and reasonableness of the Consideration Shares Issue Price, we have, on a best effort basis, researched and identified a list of transactions in relation to acquisitions involving the issue of consideration shares conducted by companies listed on the Stock Exchange (the “**Comparable Consideration Shares Issue Transactions**”) as announced and not terminated or lapsed during the period from 29 December 2023 to the date of the Supplemental Master Agreement No. 2 (being approximately six months prior to the date of the Master Agreement) (the “**Comparable Period**”). Considering that recent transactions are more relevant to assess the fairness and reasonableness of the Consideration Shares Issue Price, we are of the view that the Comparable Period of approximately six months is reasonable.

Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company are not the same as, or even substantially vary from, those of the Comparable Consideration Shares Issue Transactions and their respective issuers. Notwithstanding the above, the table below demonstrates the pricing of issues of consideration shares for acquisition purposes under recent market sentiment and provides a general reference for assessing the fairness and reasonableness of the Consideration Shares Issue Price.

We consider the Comparable Consideration Shares Issue Transactions fair and representative given (i) the Comparable Consideration Shares Issue Transactions adequately cover the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparable Consideration Shares Issue Transactions identified during the Comparable Period represent recent consideration shares issuance for acquisitions by companies listed on the Stock Exchange; (iii) the similarity of the nature of the consideration shares; and (iv) the sufficient sample size of the Comparable Consideration Shares Issue Transactions identified.

Set out below are the details of the Comparable Consideration Shares Issue Transactions:

Date of announcement	Company name (stock code)	Premium/(discount) of the issue price over/(to)		
		The closing price per share on/prior to the date of agreement	the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement
21 December 2023	China HK Power Smart Energy Group Limited (931.HK)	(1.2)%	(1.2)%	(2.6)%
27 December 2023	Zhongshi Minan Holdings Limited (8283.HK)	(18.6)%	(16.4)%	(22.2)%
29 December 2023	C-Link Squared Limited (1463.HK)	0.0%	0.0%	0.0%
29 December 2023	Huili Resources (Group) Limited (1303.HK)	37.9%	31.2%	32.7%
4 January 2024	China Oral Industry Group Holdings Limited (8406.HK)	9.1%	11.5%	10.8%
23 January 2024	International Genius Company (33.HK)	5.3%	(2.9)%	(8.8)%
26 January 2024	Hao Bai International (Cayman) Limited (8431.HK)	(18.2)%	(18.3)%	(13.6)%
19 February 2024	China Youran Dairy Group Limited (9858.HK)	32.2%	33.3%	34.5%
21 February 2024	V.S. International Group Limited (1002.HK)	191.7%	196.6%	192.9%
29 February 2024	PAK TAK INTERNATIONAL LIMITED (2668.HK)	(4.0)%	3.1%	(0.9)%



Date of announcement	Company name (stock code)	Premium/(discount) of the issue price over/(to)		
		The closing price per share on/prior to the date of agreement	the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement
12 March 2024	E-STATION GREEN TECHNOLOGY GROUP CO., LIMITED (8475.HK)	(16.8)%	(19.0)%	(19.7)%
25 March 2024	Unity Enterprise Holdings Limited (2195.HK)	(16.0)%	(19.2)%	(20.2)%
9 April 2024	XD Inc. (2400.HK)	0.0%	(0.4)%	(7.3)%
17 April 2024	FUTURE DATA GROUP LIMITED (8229.HK)	(17.7)%	(15.8)%	(12.1)%
24 May 2024	Hans Energy Company Limited (554.HK)	99.0%	103.6%	131.4%
24 May 2024	NEW CITY DEVELOPMENT GROUP LIMITED (456.HK)	76.7%	0.00%	14.3%
25 June 2024	Huili Resources (Group) Limited (1303.HK)	(12.7)%	(17.2)%	(11.5)%
26 June 2024	FUTURE WORLD HOLDINGS LIMITED (572.HK)	0.0%	4.2%	5.7%
7 July 2024	China Health Group Limited (673.HK)	(14.9)%	(16.0)%	(16.2)%
Maximum		191.7%	196.6%	192.9%
Minimum		(18.6)%	(19.2)%	(22.2)%
Average		17.5%	13.5%	15.1%
Median		0.00%	(0.4)%	(2.6)%
Consideration Shares Issue Price		42.9%	59.4%	57.3%

Source: Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

The issue price of the Comparable Consideration Shares Issue Transactions, as compared to the closing price per share on/prior to the date of agreement, ranged from a discount of approximately 18.6% to a premium of approximately 191.7% with an average premium of 17.5% and a median discount of nil%. The Consideration Shares Issue Price of HK\$0.30 per Consideration Share represents a premium of approximately 42.9% compared to the closing price per Share on or before the date of the Supplemental Master Agreement No. 2. This premium falls within the range of the premiums seen in Comparable Consideration Shares Issue Transactions and significantly exceeds the average premium and median discount of those transactions.

The issue price of the Comparable Consideration Shares Issue Transactions, as compared to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement, ranged from a discount of approximately 19.2% to a premium of approximately 196.6% with an average premium of 13.5% and a median discount of 0.4%. The Consideration Shares Issue Price of HK\$0.30 per Consideration Share represents a significant premium of approximately 59.4% compared to the last five consecutive trading days prior to/up to and including the date of the Supplemental Master Agreement No. 2. This premium falls within the range of the premiums seen in Comparable Consideration Shares Issue Transactions and significantly exceeds the average premium and median discount of those transactions.

The issue price of the Comparable Consideration Shares Issue Transactions, as compared to the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement, ranged from a discount of approximately 22.2% to a significant premium of approximately 192.9% with an average premium of 15.1% and median discount of 2.6%. The Consideration Shares Issue Price of HK\$0.30 per Consideration Share represents a premium of approximately 57.3% compared to the last ten consecutive trading days prior to/up to and including the date of the Supplemental Master Agreement No. 2. This premium falls within the range of the premiums seen in Comparable Consideration Shares Issue Transactions and significantly exceeds the average premium and median discount of those transactions.

Having considered that (i) the premium of the Consideration Shares Issue Price over the closing price per share on or before the date of the Supplemental Master Agreement No. 2, as well as over the average closing price per share for the preceding five and ten consecutive trading days up to and including the date of the Supplemental Master Agreement No. 2, significantly surpasses the average premium and median discount observed in the Comparable Consideration Shares Issue Transactions; (ii) the Consideration Shares Issue Price is higher than the closing prices of the Shares on approximately 62.1% of the total number of trading days during the Review Period; (iii) the Consideration Shares Issue Price falls within the range of closing price during the Review Period; and (iv) the trading of Shares are inactive throughout the Review Period as illustrated in the paragraph headed "Liquidity Analysis" in this letter, we are of the view that the Consideration Shares Issue Price is fair and reasonable.



## **7. Payment terms**

Under the Master Agreement (as supplemented by the Supplemental Master Agreement), the Consideration of approximately RM61,982,000 shall be paid by the Company for and on behalf of the Purchaser in the following manner:

- (1) the Cash Consideration of approximately RM7,437,840 shall be paid in the following manner and shall form part of the Consideration on the Unconditional Date:
  - (a) 10% of the Consideration (equivalent to RM6,198,200) shall be paid in cash within 14 days from the date of the Master Agreement; and
  - (b) 2% of the Consideration (equivalent to RM1,239,640) shall be paid in cash within 14 days from the date of the Supplemental Master Agreement; and
- (2) the Consideration Balance of approximately RM54,544,160 shall be satisfied by the Consideration Shares Issue within the Consideration Shares Settlement Period.

We note that the first tranche and second tranche of the Cash Consideration has been paid to PRGH. The settlement of the remaining Consideration by the Consideration Shares Issue would prevent the Group from further cash outflow and debt accumulation, while also preserving cash for financing the Group's other projects and general working capital purpose.

The Cash Consideration of RM7,437,840 has been settled and paid about a year ago whilst the Properties have not been transferred due to unfulfillment of conditions precedent. We consider there is a potential deposit interest income forgone from the Purchaser's perspective. Taking into account of the Overnight Policy Rate in Malaysia of 3% as at the date of the Supplemental Master Agreement No. 2, the amount of the interest income forgone by the Purchaser would be approximately RM223,135.

## **8. Adjusted Consideration**

The Consideration was determined after arm's length negotiation between PRGH and the Purchaser having regard to the Valuation (Original) of RM70.4 million as at 5 July 2023 appraised by the Independent Valuer. According to the Valuation Report (Update) on the Properties prepared by the Independent Valuer as set out in the Appendix III to the Circular (Update), the Valuation (Update) amounted to RM65.2 million, representing a decrease of approximately 7.4% when compared to the Valuation (Original).

On the other hand, as illustrated in the section headed "Analysis of the historical Share price performance" in this letter, the Share price has exhibited a declining pattern during the Review Period, with the closing price per share at HK\$0.21 as at the date of the Supplemental Master Agreement No. 2 representing a substantial decrease of approximately 34.4% from the closing price of HK\$0.32 per share quoted on the Stock Exchange on the date of the Master Agreement.

Taking into account the changes in the valuation of the properties and the Company's market capitalisation from the date of the Master Agreement and the Supplemental Master Agreement No. 2 and the interest income forgone by the Purchaser, we further assess the Consideration by aligning it with the closing price of the Share as at the date of the Supplemental Master Agreement No. 2. Set out below is the calculation of the adjusted Consideration (the "Adjusted Consideration"):

	<i>RM('000)</i>
Cash consideration paid in cash within 14 days from the date of the Master Agreement	6,198.2
Cash consideration paid in cash within 14 days from the date of the Supplemental Master Agreement	1,239.6
Deposit interest income forgone by the Purchaser	223.1
Implied value of the Consideration Balance adjusted for closing price of the Shares of HK\$0.21 per Share as at the trading day prior to the date of the Supplemental Master Agreement No. 2 (321,756,000 Consideration Shares *HK\$0.21/1.7697*)	<u>38,180.9</u>
<b>The Adjusted Consideration</b>	<b><u><u>45,841.8</u></u></b>

*Note:* RM1.0 to HK\$1.7697 according to the Agreed Exchange Rate

Based on the above calculation, the Adjusted Consideration of approximately RM45.8 million represents a discount of approximately 29.7% to the Valuation (Update).

Based on above, it is evident that the delayed delivery of the Properties would result in additional time-related costs for the Purchaser. However, after incorporating the time cost into the Adjusted Consideration, the premium associated with the Valuation (Update) appears to adequately offset such time costs. Therefore, we consider that the payment terms, once the time costs are considered, are reasonable and justifiable.



## 9. Dilution effect

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date (Scenario A) and (ii) immediately after the issuance and allotment of the Consideration Shares (assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date other than the allotment and issue of the Consideration Shares) (Scenario B):

	Scenario A		Scenario B	
	<i>Number of Shares held</i>	<i>Approximate % of shareholding (note 1)</i>	<i>Number of Shares held</i>	<i>Approximate % of shareholding (note 2)</i>
<b>Shareholder</b>				
PRGH	303,468,000	50.45%	625,224,000	67.72%
Dato' Lua Choon Hann (note 3)	260,000	0.04%	260,000	0.03%
Kang Boon Lian	200,000	0.03%	200,000	0.02%
Dato' Ng Yan Cheng (note 4)	66,693,600	11.09%	66,693,600	7.22%
Sub-total:	370,621,600	61.61%	692,377,600	74.99%
<b>Public</b>				
Jim Ka Man (note 5)	57,368,000	9.54%	57,368,000	6.21%
Other public Shareholders	173,576,000	28.85%	173,576,000	18.80%
Sub-total	230,944,000	38.39%	230,944,000	25.01%
<b>Total</b>	<u>601,565,600</u>	<u>100.00%</u>	<u>923,321,600</u>	<u>100.00%</u>

### Notes:

1. On the basis of 601,565,600 Shares in issue as at the Latest Practicable Date.
2. On the basis of 923,321,600 Shares in issue as enlarged by the issue of the Consideration Shares.
3. Dato' Lua Choon Hann and Er. Kang Boon Lian are executive Directors.
4. Dato' Ng Yan Cheng, is a connected person of the Company for being a director of certain subsidiaries of the Company, the father of Mr. Ng Tzee Penn, a non-executive Director and the father-in-law of Mr. Andrew Chan Lim-Fai, an executive Director. Dato' Ng Yan Cheng is a core connected person of the Company and Shares held by him will not be regarded as being in the public hands under Rule 11.23(7).

5. According to the disclosure of interest form filed by Jim Ka Man, Jim Ka Man was deemed to be interested in 57,368,000 Shares of which 53,572,000 Shares were beneficially owned by her and she was deemed to be interested in 3,796,000 Shares held directly by her spouse under Part XV of the SFO. Jim Ka Man was a director of a subsidiary of the Company on the date of the conditional sale and purchase agreement dated 27 April 2023 entered into between PRGH as vendor, the Purchaser as purchaser and the Company and was therefore a core connected person of the Company as at that date. Jim Ka Man has ceased as a core connected person of the Company upon her resignation as such a director on 31 May 2023 prior to the date of the Supplemental Master Agreement and the Shares held by her are regarded as being in the public hands under Rule 11.23(7) as from the date of her resignation.

As shown in the shareholding table above, upon Completion, a total of 321,756,000 Consideration Shares will be issued to PRGH as the Consideration Balance pursuant to the Master Agreement. As a result, the existing Share capital in issue will be enlarged by approximately 53.49% upon Completion. The aggregate shareholding of the existing public Shareholders will then be diluted from approximately 38.39% to approximately 25.01%, representing a dilution of approximately 13.38%.

We noted that the issuance of the Consideration Shares will result in a dilution effect for the public Shareholders. Nonetheless, taking into account (i) the Consideration Shares Issue Price is fair and reasonable as elaborated above; (ii) the information set out under the section headed “Reasons for and benefits of the Purchase” in this letter; and (iii) the issue of Consideration Shares can reduce the Company’s cash outflow for the Purchase and allows the Group to preserve cash for financing the Group’s other projects and general working capital purpose, we concur with the Directors that the level of dilution is fair and reasonable to the Shareholders.

#### **10. Financial effect of the Purchase**

Upon Completion, the Properties will be recognized as non-current assets of the Group at their costs at the time of acquisition, being the aggregate of the consideration of RM61,982,000 and the directly attributable expenditure incurred by the Company for the Purchase.

Given that upon Completion, the Properties will be recognised as non-current assets of the Group at their costs at the time of acquisition, being the aggregate of the Consideration of RM61,982,000 and the directly attributable expenditure incurred by the Company for the Purchase, such as stamp duty and professional fee. Specifically, the Properties which are to be held solely for rental or for sale would be classified as “investment property”. The Company has already settled the Cash Consideration with internal cash resources. The issuance of the Consideration Shares for the Consideration Balance will enhance the net asset value of the Group. Overall, it is expected that the Purchase will have positive financial impact on the net asset value of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial results and the financial position of the Group will be upon the Completion.



### Opinion and Recommendation

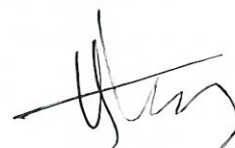
Having considered the principal factors and reasons as discussed above, we are of the opinion that the entering into the Master Agreement involving the Consideration Shares Issue is not in the ordinary and usual course of business of the Group because of its “one-off” nature. Nevertheless, the terms and conditions of the Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Master Agreement and the transactions contemplated thereunder, including without limitation, the Purchase and the Consideration Shares Issue.

Yours faithfully  
For and on behalf of  
Octal Capital Limited



**Alan Fung**  
*Managing Director*



**Wong Wai Leung**  
*Executive Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.