10 June 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF WHOLLY-OWNED SUBSIDIARIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 10 June 2025 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 6 May 2025, the Vendors (indirect wholly-owned subsidiaries of the Company) entered into the Sale and Purchase Agreement with the Purchaser (an associate of Mr. Ng who is a connected person of the Company), pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK$26,960,296 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement.

The transactions contemplated under the Sale and Purchase Agreement (when aggregated with the Berth and Debenture SPA) constitutes a major and connected transaction for the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., all being independent non-executive Directors, has been formed to consider the terms of the Disposal. We, WRise Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

Apart from this engagement, we previously acted as the independent financial adviser to advise the independent board committee of the Company and the independent shareholders in respect of the Berth and Debenture SPA and the transactions contemplated thereunder, details of which are set out in the Company's circular dated 14 November 2024. Apart from normal professional fees paid or payable to us in connection with such appointments as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Group. As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as hindrance to our independence. Accordingly, we are considered to be eligible to give independent advice in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date hereof and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. The Directors have confirmed that no material facts have been withheld or omitted from the information provided, opinion expressed, representations made to us or referred to in the Circular and that all information provided, opinion expressed or representations made, to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular. Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in the Circular up to the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Group is principally engaged in trading and manufacturing, property investment and development, agriculture as well as forestry businesses.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "**2024 AR**").

	For the year ended 31 December 2023 Approximately *HK$'000* *(audited)*	**For the year ended 31 December 2024** Approximately *HK$'000* *(audited)*
Revenue	2,887,385	3,231,529
—Trading and manufacturing	2,644,312	3,007,310
—Property investment and development	240,851	223,328
—Agriculture and forestry	2,222	891
Gross profit	479,357	475,843
Profit/(loss) for the year	(42,439)	12,177

The revenue of the Group of approximately HK$3,232 million for the year ended 31 December 2024 ("**FY2024**") increased by approximately HK$344 million or 12% when compared to that of the previous year ("**FY2023**"). The trading and manufacturing segment, in particular revenue from the OEM toys production segment increased by approximately HK$275 million or 11% compared to that of FY2023, as key U.S. customers increase their orders which were driven by the rebound in consumer demand for toy products. The Group recorded profit after tax of approximately HK$12 million for FY2024 as compared to the loss after tax of HK$42 million in FY2023. Such a turnaround in financial results was attributed to (i) improvement in operating result of trading and manufacturing business driven by the rebound of consumer demand for toy products; (ii) lower finance cost due to the drop in the average interest rates; and (iii) higher gain recognised from disposal of subsidiaries incurred in FY2024 as compared to those incurred in FY2023.

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2023 and 31 December 2024 as extracted from the 2024 AR.

	As at 31 December 2023 Approximately *HK$'000* *(audited)*	**As at 31 December 2024** Approximately *HK$'000* *(audited)*
Total assets	13,255,285	12,965,968
Total liabilities	6,965,470	6,848,506
Net assets	6,289,815	6,117,462

The total assets of the Group were approximately HK$13,255.3 million and HK$12,966.0 million as at 31 December 2023 and 31 December 2024 respectively. The total assets remained steady with the major assets of the Group comprised of investment properties of approximately HK$9,427.9 million and HK$9,192.8 million as at 31 December 2023 and 31 December 2024 respectively, in relation to the Group's property investment portfolio in Nanjing, Shenyang and Tianjin in Mainland China and in Hong Kong. Other current assets of the Group mainly comprised inventories and prepayments, deposits and other receivables which remained relatively stable as at 31 December 2023 and 31 December 2024.

The total liabilities of the Group were approximately HK$6,965.5 million and HK$6,848.5 million respectively as at 31 December 2023 and 31 December 2024 with the major liabilities of the Group comprised total interest-bearing bank borrowings which amounted to approximately HK$3,773.2 million and HK$3,671.4 million as at 31 December 2023 and 31 December 2024 respectively. The total liabilities of the Group remained stable as at 31 December 2023 and as at 31 December 2024 while the gearing ratio of the Group as at 31 December 2023 and 31 December 2024 remained stable at approximately 26.8% and 26.1% respectively.

2. Information of the Target Groups

Target Company A is an investment holding company and an indirect wholly-owned subsidiary of the Company. Target Subsidiary A is the only subsidiary of Target Company A which holds 80% of the paid-up capital of Target Subsidiary A, and the main business of Target Subsidiary A being the manufacturing of sports products has been entirely taken up by its affiliate (another indirect subsidiary of the Company) in the PRC since April 2025 resulting from internal restructuring. Therefore, Target Subsidiary A has become a company without having operations but leases the building located in the land of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary A is being owned by an independent third party.

Target Company B is an investment holding company and an indirect wholly-owned subsidiary of the Company. Target Subsidiary B is the only subsidiary of Target Company B which holds 80% of the paid-up capital of Target Subsidiary B, and the main business of Target Subsidiary B being the manufacturing of leather chemical products has been entirely ceased resulting from unsustainable business environment in the PRC. Therefore, Target Subsidiary B has become a company without having any operation but leases the building located in each of the lands of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary B is being owned by an independent third party.

Target Company C is an investment holding company and an indirect wholly-owned subsidiary of the Company. Target Subsidiary C is the only subsidiary of Target Company C which holds 80% of the paid-up capital of Target Subsidiary C, and the main business of Target Subsidiary C being the manufacturing and trading of footwear products has been entirely ceased resulting from unsustainable business environment in the PRC. Therefore, Target Subsidiary C has become a company without having any operation but leases the building located in each of the lands of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary C is being owned by an independent third party.

Details of the Properties held by the Target Groups are set out in the paragraph "*(ii) Appraised value of the Properties*" below and the valuation report (the "**Valuation Report**") prepared by Ravia Global Appraisal Advisory Limited, an independent valuer (the "**Valuer**") as set out in Appendix II to the Circular.

With reference to the Letter from the Board, set out below is the summary of the unaudited financial information of each of the Target Groups for the two years ended 31 December 2024:

	For the year ended 31 December 2023 Approximately *HK$'000* *(unaudited)*	**For the year ended 31 December 2024** Approximately *HK$'000* *(unaudited)*
Target Group A		
Profit/(loss) before taxation and extraordinary items	1,274	951
Profit/(loss) after taxation and extraordinary items	1,192	860
Target Group B		
Profit/(loss) before taxation and extraordinary items	(464)	(628)
Profit/(loss) after taxation and extraordinary items	(464)	(628)
Target Group C		
Profit/(loss) before taxation and extraordinary items	(1,980)	(761)
Profit/(loss) after taxation and extraordinary items	(1,980)	(761)

As advised by the Company, the Target Group A recorded revenue of approximately HK$10.9 million for year ended 31 December 2024. The main business of Target Subsidiary A being the manufacturing of sports products has been entirely taken up by its affiliate (another indirect subsidiary of the Company) in the PRC since April 2025 resulting from internal restructuring. Besides, the Target Group A recorded rental income of approximately HK$1.2 million for the year ended 31 December 2024. The Target Group B and the Target Group C have ceased their main businesses and did not record revenue for the year ended 31 December 2024, and recorded rental income of approximately HK$0.7 million and HK$1.0 million for the year ended 31 December 2024 respectively. Based on our discussion with the Company, the Target Subsidiaries being the registered owners of the Properties have entered into long term lease agreements at a tenure of 20 years with an indirect wholly-owned subsidiary of the Company for operational and subletting purposes at below market rental rates. The aggregated rental income of the Target Groups for the year ended 31 December 2024 of approximately HK$2.9 million represented approximately 1.3% of the Group's revenue from property investment and development segment for the year ended 31 December 2024 of approximately HK$223.3 million, and was insignificant to the Group. Nevertheless, the Target Groups recorded minimal profits or losses for the two years ended 31 December 2024.

The unaudited total net asset value/(net liabilities) of the Target Group A, the Target Group B and Target Group C as at 31 December 2024 was approximately HK$9,429,000, HK$(23,990,000) and HK$(104,131,000) respectively.

3. Reasons for and benefits of the Disposal

The Group is principally engaged in manufacturing of toys, trading of footwear products, property investment and development, agriculture as well as forestry businesses.

With reference to the Letter from the Board, the Group has consistently reviewed its portfolio for maximization of its return by allocating resources to the core operations and eliminating non-performing ones. Given the Target Subsidiaries have ceased their main businesses, they are not expected to contribute meaningfully to the Group's operational or strategic goals. Both the Target Group B and the Target Group C had recorded net liabilities as at 31 December 2024, representing a financial burden to the Group due to their inactive status and lack of operational value. Notwithstanding the Target Group A had recorded net assets of approximately HK$9.4 million as at 31 December 2024, its main business was taken up by its affiliate in the PRC since April 2025, i.e. it has not been in normal operations but merely has its retained property in Tianjin, the PRC which is not a material asset to the Group's property portfolio. The Disposal presents an opportunity to streamline the Group's property portfolio, mitigate risks, and unlock value. By divesting these entities, the Group may eliminate liabilities associated with low-value assets, and recognize a one-off disposal gain to strengthen its consolidated financial position.

As analysed in the paragraph headed "Information on the Group" above, the Group recorded turnaround profit after tax of approximately HK$12.2 million for FY2024 mainly due to improvement in operating result of trading and manufacturing business driven by the rebound of consumer demand for toy products, lower finance cost and higher gain recognised from disposal of subsidiaries incurred in FY2024. Having said that, with reference to the 2024 AR, the Group expected that the global economy is projected to face sustained uncertainty in 2025, exacerbated by geopolitical tensions such as the strained USA-China relationship, ongoing Russia-Ukraine conflict, and the additional tariff on all Chinese exports to the USA which could amplify cost pressure and disruption.

In addition, the interest payable under the shareholder's loan owing to Mr. Ng or his associates is a financial burden of the Group, which continues to affect the profitability of the Group. As the operation scale and the performance results of those ceased businesses of the Target Groups are relatively insignificant and such ceased businesses are not the core businesses of the Group, we are given to understand that the holding of the Target Companies is not essential for the Group's long-term development. The Disposal would allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core business segments. Given the foregoing, for the benefit of the Group, Mr. Ng as the controlling Shareholder has conditionally agreed to alleviate the Group from the shareholder's loan owing to him or his associates by purchasing the Target Companies.

As advised by the Company, as at 30 April 2025, the amount of shareholder's loan (including the principal amount and accrued interests thereon) owing to Mr. Ng or his associates by the Group was approximately HK$247.6 million. The shareholder's loan is unsecured, interest bearing at Hong Kong dollar prime lending rate per annum charged by HSBC and repayable on demand. For illustration purposes only, assuming that Completion took place on 30 April 2025, the shareholder's loan (including the principal amount and accrued interests thereon) owing to Mr. Ng or his associates would decrease to approximately HK$220.6 million.

Having considered that (i) the Target Subsidiaries have ceased their main businesses and are not expected to contribute meaningfully to the Group's operational or strategic goals, (ii) the net proceeds from the Disposal will be used to set-off against the shareholder's loan owing to Mr. Ng and his associates, which in turn will reduce the financial burden of the Group, we are of the view that the Disposal is in line with the overall strategy of the Group. The Disposal allows the Group to better reallocate its financial resources to focus on its core businesses and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

Details of the principal terms and conditions of the Sale and Purchase Agreement are set out in the Letter of the Board.

Assessment of the Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration for the Sale Shares is HK$26,960,296, being a sum up of HK$1 for Target Company A Sale Shares; HK$26,960,294 for Target Company B Sale Shares; and HK$1 for Target Company C Sale Shares. The Consideration shall be satisfied by the Purchaser by way of set-off against the shareholder's loan owing to Mr. Ng or his associates on a dollar-for-dollar basis upon Completion. Set out below is the adjusted unaudited net asset value/(net liabilities) and adjusted value of the Properties under each of the Target Groups.

	Unaudited net asset value/(net liabilities) as at 31 December 2024 Approximately *(HK$)*	**Adjusted unaudited net asset value/(net liabilities)** Approximately *(HK$)*	**Adjusted property value** Approximately *(HK$)*	**Allocated consideration** Approximately *(HK$)*
Target Group A	9,429,000	(18,300,000)	4,674,000	1*
Target Group B	(23,990,000)	989,000	25,970,000	26,959,000**
Target Group C	(104,131,000)	(13,506,000)	13,250,000	1*

* A nominal consideration of HK$1 was agreed upon because of the adjusted net liabilities of the relevant Target Groups.

** Rounding figures.

In assessing the Consideration, we have considered the following:

(i) Adjustments to the net assets value of each of the Target Groups

With reference to the Letter from the Board, the Consideration was determined after arm's length negotiation between the Vendors and the Purchaser, having taken into account of, among other things (a) the non-controlling interests and the waiver of all inter-company current account balances and (b) the valuation of the Properties held by each of the Target Groups to calculate the adjusted net asset value of each of the Target Groups ("**Adjusted NAV**"), as follow:

(a) The adjustment to the unaudited net asset value of each member of the Target Groups attributable to the Group as at 31 December 2024 by taking into account the minority interests, i.e. 20% being held by the independent third party and the waiver of all inter-company current account balances (both credit and debit) between and amongst each member of the Target

Groups and the respective affiliates (as more particularly set out in the sub-section headed "Conditions Subsequent" in the Letter from the Board):

(i) The adjustment to the unaudited net asset value of the Target Group A: being (1) the unaudited consolidated net asset value of the Target Group A as at 31 December 2024 of approximately HK$5,916,000 (after deducting the non-controlling interests of approximately HK$3,513,000 from the unaudited total net asset value of approximately HK$9,429,000), less (2) inter-company current account balance due from its affiliates of approximately HK$33,838,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK$9,622,000;

(ii) The adjustment to the unaudited net asset value of the Target Group B: being (1) the unaudited consolidated net asset value/(net liabilities) of the Target Group B as at 31 December 2024 of approximately HK$(22,200,000) (after deducting the non-controlling interests of approximately HK$(1,790,000) from the unaudited total net asset value/(net liabilities) of approximately HK$(23,990,000)), less (2) inter-company current account balance due from its affiliates of approximately HK$1,407,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK$24,596,000; and

(iii) The adjustment to the unaudited net asset value of the Target Group C: being (1) the unaudited consolidated net asset value/(net liabilities) of the Target Group C as at 31 December 2024 of approximately HK$(83,952,000) (after deducting the non-controlling interests of approximately HK$(20,179,000) from the unaudited total net asset value/(net liabilities) of approximately HK$(104,131,000)), less (2) inter-company current account balance due from its affiliates of approximately HK$3,573,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK$74,019,000.

For our due diligence purpose, we have enquired the Company on the nature and latest amount of the inter-company current account balances. As advised by the Company, the inter-company current account balances were mainly related to, where applicable, staff and maintenance costs for the buildings after closure of the manufacturing businesses, staff redundancy payments and rental receivables. All the inter-company current account balances were unsecured, non-interest bearing and with no fixed terms of repayment. We note that the inter-company current account balances as at 31 March 2025 do not have significant difference from those as at 31 December 2024. The differences were mainly due to the cash receipts and payments made on behalf of fellow subsidiaries during the period from 1 January to 31 March 2025.

Having considered the aforesaid, the carrying amount of the inter-company current account balances due to affiliates and due from affiliates should be considered approximately their fair values.

(b) The valuation of the Properties under each member of the Target Groups as at 31 March 2025 attributable to the Group appraised by the Valuer, after deduction of additional costs to be incurred attributable to the Group in relation to the Properties under each member of the Target Groups after Completion is as follows:

(i) The value of the Property 1 (as defined below) (being the land without taking into account the value of building component thereon as the value of the building component has already been reflected in the net book value of the Target Group A) is approximately HK$4,674,000 being the value of approximately HK$7,478,000 (being the Group's attributable portion i.e. 80% of the appraised value RMB8,810,000 (equivalent to HK$9,348,000)) appraised by the Valuer less additional costs (i.e. the relevant land premium) to be incurred after Completion;

(ii) The total value of the Property 2 (being the land without taking into account the building component thereon as the value of the building component has already been reflected in the net book value of the Target Group B); and Property 3 (being the land and the building component thereon as no net book value was recorded as at 31 December 2024 since it has been fully depreciated in the net book value of Target Group B) is approximately HK$25,970,000 being the value of approximately HK$38,013,000 (being the Group's attributable portion i.e. 80% of the appraised value RMB44,780,000 (equivalent to HK$47,517,000)) appraised by the Valuer less additional costs (i.e. the relevant land premium) to be incurred after Completion; and

(iii) The total value of the Properties 4, 5 and 6 (being 3 pieces of lands without taking into account the value of building component of each of the Properties 4, 5 and 6 as the value of the building component has already been reflected in the net book value of the Target Group C) is approximately HK$13,250,000 being the value of approximately HK$20,620,000 (being the Group's attributable portion i.e. 80% of the appraised value RMB24,290,000 (equivalent to HK$25,775,000)) appraised by the Valuer less additional costs (i.e. the relevant land premium) to be incurred after Completion.

We note that, in determining the Consideration, the Company has considered the book value of each of the Properties recorded in the unaudited net book value (i.e. the book value of the building portion of the Properties, while carrying value of the lands are zero as they have been fully depreciated) and the appraised value by the Valuer (i.e. the appraised value of building portion and land portion of the Properties), whichever is higher.

For our due diligence purpose, we have reviewed the unaudited book value of the building portion of each of the Properties as at 31 December 2024 and compared with the appraised value of the building portion of the Properties as at 31 March 2025. We note that the book value of the building portion of each of the Properties (except Property 3) were either slightly higher than or equal to the appraised value of the building portion of the Properties. Therefore, the Company has adopted the book value of the building portion of the relevant Properties (except Property 3) which have been reflected in the unaudited net book value of the Target Groups as at 31 December 2024. For the Property 3, due to the buildings have been fully depreciated, no net book value was recorded as at 31 December 2024. Hence, the Company has adopted the appraised value of the building portion of the Property 3. Therefore, we consider that it is fair and reasonable to exclude the appraised value of the building portion of the Properties (except Property 3 where its appraised value of the building portion has been included in the Consideration) as stated in the Valuation Report.

As shown from the paragraph (a) above, taking in accounts the minority interests and the waiver of all inter-company current account balances between and amongst each member of the Target Groups and the respective affiliates, the adjusted unaudited net asset value/(net liabilities) of the Target Group A, the Target Group B and the Target Group C attributable to the Group would be approximately HK$(18,300,000), HK$989,000 and HK$(13,506,000) respectively.

As shown from the paragraph (b) above, taking into account the appraised value of the Properties and the relevant land premium to be incurred, the adjusted unaudited net asset value/(net liabilities) of the Target Group A, the Target Group B and the Target Group C attributable to the Group would be approximately HK$(13,626,000), HK$26,960,000 and HK$(256,000) respectively.

(ii) Appraised value of the Properties

Set out below is a summary of the Properties held by the Target Groups, with reference to the Valuation Report:

Owners	**Properties**	**Total gross floor area** *(sq. m.)*	**Current status**	**Appraised value as at 31 March 2025** Approximately
Target Subsidiary A	An industrial development located at No. 116 Kun Wei Road, Hebei District, Tianjin City, the PRC (中國天津市河北區昆緯路116號之工業項目) ("**Property 1**")	8,869.44	The property was subject to a tenancy to an indirect wholly-owned subsidiary of the Company for operational and sublet purposes with the expiry date on 31 December 2034 at a monthly rental of about RMB161,859 inclusive of tax and exclusive of relevant utility charges.	RMB9,360,000 Land component: RMB8,810,000* Building component: RMB550,000
Target Subsidiary B	An industrial development located at No. 16 Wei Shui Road West, Nankai District, Tianjin City, the PRC (中國天津市南開區渭水道西頭16號之工業項目) ("**Property 2**")	6,556.87	The property was subject to a tenancy to an indirect wholly-owned subsidiary of the Company for operational and sublet purposes with the expiry date on 31 December 2034 at a monthly rental of about RMB119,647 inclusive of tax and exclusive of relevant utility charges.	RMB7,370,000 Land component: RMB7,070,000* Building component: RMB300,000
Target Subsidiary B	An industrial development located at Chenglinzhuang Industrial Zone, Dongli District, Tianjin City (天津市東麗區程林莊工業區之工業項目) ("**Property 3**")	14,862.07	The property was vacant/idled as at the date of the valuation.	RMB37,710,000 Land component: RMB28,320,000* Building component: RMB9,390,000*

Owners	Properties	Total gross floor area (sq. m.)	Current status	Appraised value as at 31 March 2025 Approximately
Target Subsidiary C	An industrial development located at No. 18 Gang Wei Road, Hebei District, Tianjin City, the PRC (中國天津市河北區崗緯路18號之工業項目) (“**Property 4**”)	19,182.20	The property was subject to a tenancy to an indirect wholly-owned subsidiary of the Company for self-use and sublet purposes with the expiry date on 5 March 2035 at a monthly rental of about RMB303,417 inclusive of tax and exclusive of relevant utility charges.	RMB17,410,000 Land component: RMB15,970,000* Building component: RMB1,440,000
Target Subsidiary C	An industrial development located at No. 19 Gang Wei Road, Hebei District, Tianjin City, the PRC (中國天津市河北區崗緯路19號之工業項目) (“**Property 5**”)	3,128.90	The property was subject to a tenancy to an indirect wholly-owned subsidiary of the Company for self-use and sublet purposes with the expiry date on 5 March 2035 at a monthly rental of about RMB49,500 inclusive of tax and exclusive of relevant utility charges.	RMB1,970,000 Land component: RMB1,920,000* Building component: RMB50,000
Target Subsidiary C	An industrial development located at No. 3 Mi Yun Yi Zhi Road, Nankai District, Tianjin City, the PRC (中國天津市南開區密雲一支路3號之工業項目) (“**Property 6**”)	3,178.26	The property was subject to a tenancy to an indirect wholly-owned subsidiary of the Company for self-use and sublet purposes with the expiry date on 5 March 2035 at a monthly rental of about RMB50,250 inclusive of tax and exclusive of relevant utility charges.	RMB6,440,000 Land component: RMB6,400,000* Building component: RMB40,000

* *The relevant land component (for Properties 1 to 6) and building component (for Property 3) of the appraised value of the Properties which have been adopted to the Consideration.*

We have reviewed the Valuation Report and have discussed with the Valuer regarding the methodology of and the principal basis and assumptions adopted for the valuation of the Properties.

We understand that the common valuation approaches are market approach, income approach and cost approach. In the course of evaluation, the Valuer has considered the market approach and income approach, but deemed less appropriate for the Properties. The market approach is limited by the scarcity of comparable evidence, particularly given the short remaining lease terms of the properties (more than half of the original lease terms have already expired) which reduces marketability and comparability. As noted from the Valuation Report, the land use rights of the Properties were allocated for industrial use for a term expiring in about 2046 (i.e. more than half of the terms have expired). The Valuer explained that short remaining land use rights lease terms is one of the key consideration that reduce the marketability and comparability of the Properties when looking for comparable evidence, as properties come with short remaining land use rights lease terms are generally less favourable in the market, while relevant information on the land use right lease terms of the comparable properties is not publicly transparent or readily available, making it highly difficult to identify suitable comparables within the selection criteria. As a result, listing comparable evidence is considered unreliable. Furthermore, the specialized nature of the industrial workshops, characterized by mixed building materials and older layouts, limits the availability of suitable comparables under both market approach and income approaches, as their unique features reduce the relevance of typical market sale and rental evidence, compounded by the lack of transparent property information publicly available. Similarly, the Valuer has advised that due to the lack of publicly available information on transaction data, it is impracticable to ascertain details of the sale transactions of other industrial buildings such as the remaining lease term, building structures and layouts etc.

On the other hand, based on our discussion with the Valuer, the income approach is not reliable because the existing lease agreements of the Properties are long-term arrangements entered into by the Target Subsidiaries with a wholly-owned subsidiary of the Company at below market rental rates, as advised by the Group, thus not reflecting true market income potential. As analysed in the paragraph headed "Information of the Target Group" above, the Target Subsidiaries as the registered owners of the Properties have entered into long term lease agreements at a tenure of 20 years with a wholly-owned subsidiary of the Company for operational and sub-letting purposes at below market rental rates, as advised by the Company. We note that, despite the Target Groups recorded rental income, such rental income was below market rate and was relatively insignificant to the Group and the Target Groups recorded either minimal profit or losses. Therefore, we consider that the rental income shall not be the sole factor when considering the value of the Properties.

Given the above, the Valuer has valued the Properties by Cost Approach — Depreciated Replacement Cost ("**DRC**") method which requires a valuation of the market value for the existing use of the land, and an estimate of new replacement cost of the existing buildings and structures, from which deductions are made to allow for the physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC method is used as a substitute for the market value of specialized property, due to the lack of market comparables available. The appraised market value by DRC method only apply to the whole of the properties as a unique interest, and no piecemeal transaction of the properties is assumed. The Valuer has confirmed that the DRC method is a widely accepted and suitable method for assessing the value of the Properties and is in line with the market practice, particularly for properties with similar nature located in the PRC. As our work done, we also reviewed the circulars by other listed companies in Hong Kong and note that DRC method is one of the widely used method adopted in valuation of properties in the PRC. Considering the market approach and income approach are less appropriate due to the limitations discussed above and the DRC method is a widely accepted method for valuing the Properties and is in line with the market practice, we are of the view that it is reasonable to adopt the DRC method in valuing the Properties.

We are advised by the Valuer that the land values were derived from comparable land sale evidence within the relevant localities sourced from public platforms with adjustment factors. For our diligence purpose, we have reviewed the selected comparable sale transactions of land (details of which are set out in the Valuation Report in Appendix II) and discussed with the Valuer on the selection criteria and the adjustments made. The selected transactions involved industrial land parcel similar in character and location to the Properties. Key adjustment factors include site area, location, size, availability of ancillary facilities, land use rights term and hangover conditions. In respect of the building portion of the value of the Properties derived as part of the DRC method, the building values were assessed using market-aligned construction costs adjusted for specific conditions, i.e. by estimating the current cost to replace the existing buildings and structures with modern equivalents that provide similar utility. Based on our discussion with the Valuer, factors considered include specific characteristics of the structures and quality, interest costs associated with the replacement process, depreciation and age of the buildings. The market value conclusion represents the sum of the land and building values under DRC method.

As mentioned in the Valuation Report, pursuant to the legal opinion provided by the Group's PRC legal adviser, Zhonglun W&D (Tianjin) Law Firm ("**PRC Legal Adviser**"), the land use rights of the Properties were allocated to the relevant Target Subsidiaries, rather than granted. While allocated land is provided by the government for specific purposes, any transfer of the Properties may require approval from relevant government authorities and payment of a land premium as determined by those authorities. Therefore, the Valuer attributed no commercial value to the Properties, but provided appraised market value for reference purposes, assuming that the Properties as described in the relevant real estate title certificates can be freely transferred in the market without other restriction (including having an unsealed title, free from mortgage and any third party's encumbrance) upon fulfillment of the conditions set out in the PRC legal opinion (i.e. successful conversion of the land status from allocated to assigned land through proper government applications and full payment of the required land premium). For our due diligence purpose, we have reviewed the opinion given by the PRC Legal Adviser as well as the calculation on the estimated land premium cost to be incurred in accordance with the relevant PRC guidelines, and we note that such cost has been included in the Consideration.

We also note that, for the Property 4, as advised by the Group, a three-storey workshop building (the "**Workshop**") with a total GFA of approximately 2,700 sq. m., constructed on the land parcel in addition to the GFA reported for that Property, was completed and ready for use in early 2006. However, the Workshop does not have its real estate title certificate. The Valuer has, therefore, excluded the Workshop in the scope of the valuation. For our due diligence purpose, we enquired the Company and understood that the Workshop was a reconstructed building and the original site was the auditorium of the Target Subsidiary C. The Target Subsidiary C is not able to provide the necessary information relating to the construction of the Workshop that was erected in early 2006, i.e. almost 20 years ago, which is a prerequisite for the application for the said title certificate as all such information were missed and could not be reproduced. We have reviewed the opinion given by the PRC Legal Adviser in respect of the Property 4, and note that the registration of the aforementioned reconstructed building requires the submission of relevant construction project documentation, records of the demolition of the original building, and related surveying/investigation results. The Target Subsidiary C is not able to provide all the required documents, and it is difficult to supplement the missing materials. Therefore, the PRC Legal Adviser is of the opinion that the obtaining of the real estate title certificate is difficult. Further, the registration authority conducts strict review process that is time-consuming, and the likelihood of obtaining the title certificate is low. As further advised by the Company, the net book value of the Workshop was approximately RMB866,000 as at 31 December 2024. Having considered that (i) the net book value of the Workshop has been reflected in the unaudited net asset value of the Target Group C as at 31 December 2024, (ii) the likelihood of obtaining the real estate title certificates is low as advised by the PRC Legal Adviser, and (iii) no fair value of the Workshop could be provided by the Valuer due to unavailability of real estate title certificates and hence the Workshop has been excluded in the scope of the valuation, we are of the view that the value of the Workshop has been appropriately considered by the Board in determining the Consideration.

The Valuer has confirmed that such valuation methodologies are in compliance with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, and we are satisfied with the approach and methodology adopted in the Valuation Report.

In compliance with the requirements of Rule 13.80 of the Listing Rules, for our due diligence purpose, we have interviewed the Valuer and reviewed and enquired into the qualification and experience of the Valuer. We noted that the Valuer possesses sufficient qualifications and experience in valuing assets similar to that of the Properties for listed companies in the PRC over the years. Meanwhile, we have reviewed the scope of services provided under the engagement of the Valuer and we noted that the scope of work is appropriate to the opinion given and, as confirmed by the Valuer during our enquiry, there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer. We have also made inquiry on any current or prior relationship between the Valuer and the Group, Mr. Ng and any of their respective subsidiaries or their respective associates which the Valuer has confirmed their independence. The Valuer also confirmed to us that apart from normal professional fees payable to them in connection with their engagement for the valuations, no arrangements exist whereby they will receive any fee or benefit from the Group and its connected persons including the Purchasers. Therefore, we are of the view that the Valuer has sufficient expertise, the scope of work is appropriate for the relevant engagement and the Valuer is independent to perform the valuation for the Properties.

Conclusion

Based on the above, in particular, (i) each of the Target Groups have ceased their respective principal businesses and operation, save for holding the Properties. Hence, the Consideration has been determined based on the adjusted assets and liabilities of each of the Target Groups; (ii) the Adjusted NAV of each of the Target Groups, which is derived after reflecting the minority interests and the waiver of all inter-company current account balances between and amongst each member of the Target Groups and the respective affiliates; and the appraised value of the Properties. As analysed above, these adjustments are fairly and reasonably made because it could appropriately reflect (a) the assets and liabilities position of each of the Target Groups after taking out the financial assistance from the Group; and (b) the fair value of the principal assets i.e. the Properties in the balance sheet of each of the Target Groups; (iii) our review on the valuation of the Properties, where we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases and assumptions adopted for the valuation of the Properties; and (iv) the Consideration represents approximately the same value to the Adjusted NAV, we consider the basis for determining the Consideration is fairly made and the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial impact of the Disposal and intended application of proceeds

With reference to the Letter of the Board, upon Completion, the Target Groups will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of each of the Target Groups will no longer be consolidated into the consolidated financial statements of the Group.

Earnings

Upon Completion, the Group shall not have any interest in the Target Groups, the financial performance and position of the Target Groups will cease to be consolidated into the consolidated financial statements of the Group. The Target Groups recorded overall losses for the year ended 31 December 2024. Upon Completion, the Group will cease to bear the losses of the Target Groups.

It is estimated that the Group will record a gain on the Disposal in the amount of approximately HK$70,008,000, which is calculated based on (i) the Consideration; (ii) the adjusted unaudited total net asset and non-controlling interests of the Target Groups as at 31 December 2024; and (iii) reclassification of reserves before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the adjusted net book value of the Target Groups at Completion, net of any incidental expenses, and subject to be reviewed by the auditors of the Company.

Assets and liabilities

Having considered the Consideration and the adjusted unaudited total net asset value of the Target Groups as at 31 December 2024, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK$9,827,000. The total liabilities of the Group will also decrease by approximately HK$86,061,000. It is estimated that the net assets of the Group will have an increase of approximately HK$76,234,000, being the net effect of the changes of the total assets and total liabilities of the Group.

Cashflow

The Group intends to use the net proceeds from the Disposal to settle its liabilities by having the Consideration settled directly by set-off against the shareholder's loan owing to Mr. Ng or his associates on a dollar-for-dollar basis. Notwithstanding the Group will not receive any cash from the Disposal, its overall financial position will be improved after the Disposal as the Group will be alleviated from the shareholder's loan owing to Mr. Ng or his associates.

The shareholder's loan (including the principal and interests) owing to Mr. Ng or his associates was amounted to approximately HK$247,600,000 as at 30 April 2025. For illustration purpose only, assuming that the Completion took place on 30 April 2025, the shareholder's loan (including the principal amount and accrued interests) owing to Mr. Ng or his associates would decrease to approximately HK$220,640,000.

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

OPINION AND RECOMMENDATION

Having considered the above, in particular, (i) the Disposal is in line with the Group's overall strategy to maximization of its return by allocating resources to the core operations, (ii) the Consideration is fair and reasonable, and (iii) there would be overall positive financial impact on the Group as a result from the Disposal, hence, we are of the view that although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is on normal commercial terms, and the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Disposal, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
WRISE CAPITAL LIMITED

Fanny Lee
Executive Director

Ms. Fanny Lee is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of WRise Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 25 years of experience in corporate finance industry.