

25 November 2025

*To the Independent Board Committee and
the Independent Shareholders of
Eminence Enterprise Limited*

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION,
CONNECTED TRANSACTION
AND
ISSUE OF CONVERTIBLE NOTE
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders whether the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the 2025 Convertible Note are fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Company and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote at the SGM. Details of the Acquisition, the issue of the 2025 Convertible Note and the grant of the Specific Mandate are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 25 November 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

The Sale and Purchase Agreement is dated 10 October 2025 and made between Easyknit Properties (as the seller) and the Company (as the buyer). Pursuant to the Sale and Purchase Agreement, amongst other things, the Company conditionally agreed to purchase, and Easyknit Properties conditionally agreed to sell all the Sale Shares. On Completion, Mark Profit will no longer be an indirect wholly-owned subsidiary of Easyknit. Instead, it will be a direct wholly-owned subsidiary of the Company.

The material asset of Mark Profit is the Property, which is Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, Shop 1 on the First Floor and Shop 1 on the Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon. The saleable area of the Property is 13,544 sq. ft. Other assets of Mark Profit mainly include equity securities listed in Hong Kong which include 42,308,000 shares of Best Food Holding Company Limited (stock code: 1488) and 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) with a total fair value of approximately HK\$46.3 million as at 31 March 2025. The 42,308,000 shares of Best Food Holding Company Limited will be transferred to another wholly-owned subsidiary of Easyknit before the Completion (the “**Securities Transfer**”).

The Property is subject to a tenancy in favour of an Independent Third Party (the “**Tenant**”) as at the Latest Practicable Date for a term expiring on 17 April 2028, at a monthly rent of HK\$925,000, exclusive of Government Rates, management fees and utility charges.

The Purchase Price for the sale and purchase of Sale Shares under the Sale and Purchase Agreement shall be apportioned as the consideration for the sale of Sale Shares which shall be the net asset value of Mark Profit as at the Completion Date after the (i) adjustments in relation to the Securities Transfer and Debt Novation; (ii) adjustment (if any) to the value of the Property based on the valuation report prepared by a property valuer who is an Independent Third Party; and (iii) adjustment (if any) to the value of the 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (the “**Sale Shares Consideration**”) minus a sum equal to the expected total net amount due from Mark Profit’s ultimate holding company and fellow subsidiaries to Mark Profit of approximately HK\$272.5 million outstanding as at the Completion Date on a dollar-for-dollar basis (such amount will be eliminated in the book of Mark Profit upon Completion). As at the Latest Practicable Date, the Purchase Price is expected to be approximately HK\$287.1 million.

LISTING RULES IMPLICATION

As one or more of the percentage ratios applicable to the purchase of the Sale Company exceeds 100%, the Sale and Purchase Agreement is a very substantial acquisition for the Company and is subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Goodco holds an amount of HK\$46,375,000 of the 2023 Convertible Note. In the event that it is fully converted into conversion Shares, Easyknit Group and its subsidiaries will control the voting rights of 36.97% of the total number of issued Shares as disclosed in the paragraph headed “Shareholding Structure” in the Letter from the Board of this Circular. As such, Easyknit is deemed to be a connected person of the Company and the Sale and Purchase Agreement constitute to a connected transaction for the Company, and hence is subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened for the Shareholders to consider and, if thought fit, approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the conversion rights attached to the 2025 Convertible Note. To the best knowledge, information and believe of the Directors and having made reasonable enquiries, save for Easyknit, no Shareholder is involved in or interested in (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the conversion rights attached to the 2025 Convertible Note which requires him/her/it to abstain from voting on the respective proposed resolution(s) at the SGM.

The Easyknit Group and certain of its subsidiaries hold 82,286,811 Shares in total (which together controlled or were entitled to exercise control over voting rights of 8.11% of the total number of issued Shares at the Latest Practicable Date) will abstain from voting, at the SGM on the resolutions approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the issue of the Conversion Shares on exercise of the conversion rights attached to the 2025 Convertible Note.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition, the issue of the Convertible Note and the grant of the Specific Mandate and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM.

OUR INDEPENDENCE

During the last two years, we were engaged as an independent financial adviser to the Company in respect of the right issues and the transactions contemplated thereunder (details can be referred to the circular of the Company dated 28 November 2024). As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to our independence. As at the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser and the engagement as stated above, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as pursuant to Rule 13.84 of the Listing Rules.

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 Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); 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 respects as at the date thereof and may be relied upon and continue to be so up to the date of the SGM. 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 Latest Practicable Date and continue to be so up to the date of the SGM and all such statements of belief, opinions and intentions of the Directors and the Management 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 the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the SGM.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. 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, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the 2025 Convertible Note, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to 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. Background information of the parties

1.1 Background information and financial overview of the Group

As stated in the Letter from the Board, the Group is principally engaged in property development, property investment (comprising ownership and rental of investment properties), investment in securities and others and loan financing businesses which property development and property investment are the core businesses.

1.2 Financial information of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 March 2023, 2024 and 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the 2024 Annual Report and the 2025 Annual Report:

	For the year ended 31 March		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	27,194	30,693	44,857
Gross profit	24,225	27,173	26,834
(Loss) profit attributable to owners of the Company	63,572	(213,149)	(365,299)

	As at 31 March		
	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Cash and cash equivalents	354,002	299,717	57,266
Current assets	3,816,027	4,074,899	3,767,200
Net current assets	3,318,221	2,797,639	2,108,989
Total assets	5,624,267	5,408,807	4,842,030
Current liabilities	867,920	1,277,260	1,658,211
Total liabilities	2,389,101	2,361,611	2,027,245
Net assets attributable to owners of the Company	3,235,166	3,047,196	2,814,785

FY2025 vs FY2024

The Group’s consolidated revenue increased from approximately HK\$30.7 million for FY2024 to approximately HK\$44.9 million for FY2025, representing an increase of approximately HK\$14.2 million or 46.2%. The Group further recorded a loss attributable to owners of the Company increased from approximately HK\$213.4 million for FY2024 to approximately HK\$365.3 million for FY2025, representing an increase of approximately HK\$152.2 million or 71.4%. The increase in the loss attributable to owners of the Company for FY2025 was mainly attributable to, among other things, (i) the increase in loss on changes in fair value of investment properties; (ii) the increase in loss on disposal of investment properties; (iii) the increase in write-down on properties held for development for sale and properties held for sale; (iv) the increase in the net loss on changes in fair value of financial assets at fair value through profit or loss; (v) the increase in loss on modification of terms of convertible note; and (vi) the increase in finance costs, which were partially offset by the decrease in taxation expenses.

As at 31 March, 2025, the Group recorded cash and cash equivalents amounting to approximately HK\$57.3 million (31 March 2024: approximately HK\$299.7 million) and the net current asset value was approximately HK\$2,109.0 million (31 March 2024: approximately HK\$2,797.6 million).

As at 31 March 2025, the Group has total bank borrowings of approximately HK\$1,892.3million (31 March 2024: approximately HK\$2,066.7 million). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.7 (31 March 2024: approximately 0.7). As at 31 March 2025, the Group's current ratio was approximately 2.3. (31 March 2024: approximately 3.2).

FY2024 vs FY2023

The Group's consolidated revenue increased from approximately HK\$27.2 million for FY2023 to approximately HK\$30.7 million for FY2024, representing an increase of approximately HK\$3.5 million or 12.9%. For FY2024, the Group recorded a loss attributable to owners of the Company of approximately HK\$213.1 million as compared to a profit attributable to owners of the Company of approximately HK\$63.6 million for FY2023. The loss during the year was mainly attributed to (i) recorded a write-down on properties held for development for sale, net of approximately HK\$102.9 million in FY2024 compared to a write-back on properties held for development for sale, net of approximately HK\$40.4 million in FY2023; (ii) increased in administrative expenses from continuing operations of the Group by approximately HK\$11.4 million; and (iii) increased in finance costs of approximately HK\$32.1 million.

As at 31 March, 2024, the Group recorded cash and cash equivalents amounting to approximately HK\$299.7 million (31 March 2023: approximately HK\$354.0 million) and the net current asset value was approximately HK\$2,797.6 million (31 March 2023: approximately HK\$3,318.2 million).

As at 31 March 2024, the Group has total bank borrowings of approximately HK\$2,066.7 million (31 March 2023: approximately HK\$1,871.9 million). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.7 (31 March 2023: approximately 0.6). As at 31 March 2024, the Group's current ratio was approximately 3.2 (31 March 2023: approximately 4.8).

1.3 Information of the Sale Company

Mark Profit Development Limited is a limited liability company incorporated in Hong Kong, and an indirectly wholly-owned subsidiary of the seller.

The material asset of Mark Profit is the Property, which is Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, Shop 1 on the First Floor and Shop 1 on the Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon. The saleable area of the Property is 13,544 sq. ft.. Other assets of Mark Profit mainly include equity securities listed in Hong Kong which include 42,308,000 shares of Best Food Holding Company Limited (stock code: 1488) and 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) with a total fair value of approximately HK\$46.3 million as at 31 March 2025. The 42,308,000 shares of Best Food Holding Company Limited will be transferred to another wholly-owned subsidiary of Easyknit before the Completion (the “**Securities Transfer**”).

The Property is subject to a tenancy in favour of an Independent Third Party (the “**Tenant**”) as at the Latest Practicable Date for a term expiring on 17 April 2028, at a monthly rent of HK\$925,000, exclusive of Government Rates, management fees and utility charges.

The Tenant is a long-established sports goods retail operator in Hong Kong, mainly engaged in the supply and retail of sports shoes, apparel, rackets and sports accessories, which has more than fifty years of sports goods retail industry experience and has maintained long-term cooperative relationships with a number of well-known sports brands and suppliers in the world.

1.4 Financial Information of the Sale Company

Set out below is a summary of the key combined financial information of the Sale Company for the two financial years ended 31 March 2025, which has been prepared in accordance with the HKFRS were as follows:

	For the year ended 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net assets	750,767	717,700
Net loss before taxation	(41,453)	(41,452)
Net loss after taxation	(41,571)	(33,067)

For further details of the Sale Company, please refer to the paragraphs headed “THE SALE AND PURCHASE AGREEMENT” in the Letter from the Board.

1.5 Information of the Easyknit Group

The Easyknit Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses which property development and property investment are the core businesses. The Easyknit Group's portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong.

2. The Sale and Purchase Agreement

2.1 Background of the Sale and Purchase Agreement

As disclosed in the Letter from the Board, the principal terms of the Sale and Purchase Agreement are set out below:

Date

10 October 2025

Parties

- (i) Easyknit Properties; and
- (ii) the Company.

Asset to be acquired

Sale Shares: The entire issued share capital of Mark Profit.

The material asset of Mark Profit is the Property, which is Shops 1, 2, 3 on Ground Floor together with showcase on Ground Floor, Shop 1 on the First Floor and Shop 1 on the Second Floor of Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon. The gross area of the Property is 13,544 sq. ft. Other assets of Mark Profit mainly include equity securities listed in Hong Kong which include 42,308,000 shares of Best Food Holding Company Limited (stock code: 1488) and 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) with a total fair value of approximately HK\$46.3 million as at 31 March 2025. The 42,308,000 shares of Best Food Holding Company Limited will be transferred to another wholly-owned subsidiary of Easyknit before the Completion (the "Securities Transfer").

Purchase Price and settlement

The Purchase Price for the sale and purchase of Sale Shares under the Sale and Purchase Agreement shall be apportioned as the consideration for the sale of Sale Shares which shall be the net asset value of Mark Profit as at the Completion Date after the (i) adjustments in relation to the Securities Transfer and Debt Novation; (ii) adjustment (if any) to the value of the Property based on the valuation report prepared by a property valuer who is an Independent Third Party; and (iii) adjustment(if any) to the value of the 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (the “**Sale Shares Consideration**”) minus a sum equal to the expected total net amount due from Mark Profit’s ultimate holding company and fellow subsidiaries to Mark Profit of approximately HK\$272.5 million outstanding as at the Completion Date on a dollar-for-dollar basis (such amount will be eliminated in the book of Mark Profit upon Completion). As at the Latest Practicable Date, the Purchase Price is expected to be approximately HK\$287.1 million. The addition amount (if any) in excess of the Purchase Price as a result of the aforesaid adjustments will be settled by cash on a dollar-for-dollar basis. According to the Letter of the Board, set out below is the reconciliation:

	<i>HK\$’ million</i>
Net asset value as at 31 August 2025	716.1
Debt Novation	(120.0)
Securities Transfer	<u>(36.5)</u>
Consideration	<u>559.6</u>
Net amount due from the Mark Profit’s ultimate holding company and the fellow subsidiaries as at 31 August 2025	<u>(272.5)</u>
Purchase Price	<u><u>287.1</u></u>

The Purchase Price was determined after arm’s length negotiations between Easyknit and the Company, taking into account their respective perceptions of the property market and valuation of Property. The Company does not expect there will be material difference between the net asset value of Mark Profit as at the Completion Date and that as at 31 August 2025.

The Purchase Price shall be paid by the Company to Easyknit Properties by issuing 2025 Convertible Note to Easyknit Properties or its nominee on the Completion Date.

Mortgage

The Property is subject to mortgage(s) in favour of a bank, an Independent Third Party, to secure the Bank Loans. As at 31 March 2025, the total outstanding loan principal amount of the Bank Loans plus accrued interest owed by Mark Profit to the bank in relation to the Property was approximately HK\$302 million which will be aggregated with the aforesaid amount of approximately HK\$120 million after the Debt Novation and before the Completion Date. Arrangements will be made for the Bank Loans after Completion by using the new financing to be obtained by the Company. It is not uncommon to obtain bank loan to finance property acquisition and it is merely a mean of financing to minimize the amount of immediate cash outflows as a result of a property acquisition, and therefore the Company considers that the Bank Loans (together with the related interests) is not related to the determination of Sale Shares Consideration.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment of the following conditions:

1. the Company having completed its due diligence review on Mark Profit and the Property and being satisfied with the results thereof and the Company having satisfied Mark Profit is in a position to prove and give title to the relevant Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) subject to certain agreed encumbrances (if any);
2. the Company having obtained the requisite approval from the Shareholders in a general meeting in relation to (i) the purchase of the Sale Shares; and (ii) the issue of the 2025 Convertible Note and issue and allotment of the Conversion Shares on conversion of the 2025 Convertible Note (if required) in the manner required under the Listing Rules;
3. Easyknit having obtained the requisite approval from the Easyknit Shareholders in a general meeting in relation to the sale of the Sale Shares in the manner required under the Listing Rules;
4. the Stock Exchange having granted to the Company a listing of, and permission to deal in, the Conversion Shares on the exercise of the conversion rights attached to the 2025 Convertible Note;
5. the consents and approvals (if any) required under security arrangements affecting Mark Profit in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained in form and substance reasonably satisfactory to the Company; and
6. a contractual commitment from bank(s) to lend funds that is sufficient to repay the Bank Loans to release the mortgage securing the Bank Loans in favour of Hang Seng Bank Limited in form and substance satisfactory to the Company.

Conditions 2, 3, 4, 5 and 6 above cannot be waived. In the event condition 1 above is not fulfilled (or waived by the Company) on or before the Long Stop Date, the Company may elect to terminate the Sale and Purchase Agreement in which case, all rights, obligations and liabilities of the parties under the Sale and Purchase Agreement shall terminate and neither of the parties shall have any claim against the other in respect of the Sale and Purchase Agreement but without prejudice to the accrued rights and obligations of the parties before that termination.

If any of the Conditions Precedent has not been fulfilled or, where applicable, waived on or before the Long Stop Date, the Sale and Purchase Agreement will lapse and the parties thereto will be released from all obligations therein, save for liabilities for any antecedent breaches of the Sale and Purchase Agreement.

Completion

On Completion, Mark Profit will no longer be an indirect wholly-owned subsidiary of Easyknit, instead it will become a direct wholly-owned subsidiary of the Company.

The gain or loss arising from the Completion in the book of Easyknit will represent the difference between the Sale Shares Consideration and the adjusted net asset value of Mark Profit as at the Completion Date. For illustration, based on the information available up to the date of this Circular, it is expected to record no gain or loss (subject to the review to be performed by auditor) from the Completion since the consideration for the sale of Sale Shares shall be the adjusted net asset value of Mark Profit as at the Completion Date.

2.2 Principal terms of the 2025 Convertible Note under Specific Mandate

Set out below are the principal terms of the 2025 Convertible Note, details of which are set out in the Letter from the Board.

Issuer:	The Company
Maximum principal amount:	HK\$287,100,000 (expected as at the Latest Practicable Date)
Maturity date:	The fifth (5th) anniversary of the issue date, when the entire then-outstanding principal amount, together with all outstanding accrued interest, of the 2025 Convertible Note will become due and payable by the Company to the holder of the 2025 Convertible Note.
Redemption price at maturity:	100% of the principal amount of the 2025 Convertible Note outstanding on the maturity date, together with all unpaid interest accrued on it.

Redemption:	Any amount of the 2025 Convertible Note which remains outstanding on the maturity date shall be redeemed in full. Any amount of the 2025 Convertible Note which is redeemed will be cancelled forthwith.
Early redemption:	Allowed at any time at election of the holder (with the approval of the Company) or the Company.
Interest:	The 2025 Convertible Note will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 5% per annum. Interest will be payable semi-yearly in arrears. The interest rate was determined by the parties after arm's length negotiations and with reference to (i) the prevailing market conditions; and (ii) the indicative costs of unsecured mid-term/long-term debt finance preliminarily quoted to the Company by its bank(s) upon enquiry.
Conversion rights:	The holder of the 2025 Convertible Note will have the right to convert the whole or part of the outstanding principal amount of the 2025 Convertible Note (in amounts of not less than an integral multiple of HK\$1,000,000 on each conversion, unless the outstanding principal amount of the 2025 Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the conversion period (as detailed below) at the conversion price of HK\$0.169 per Conversion Share (subject to adjustments). The Company will not be obliged to issue any Conversion Shares if immediately following the conversion, (i) the Company will be unable to meet the minimum public float requirement under the Listing Rules; or (ii) there will be a change in control of the Company under the Takeovers Code.
Conversion period:	The period from the date falling on the issue date up to and including the date falling on the fifth (5th) last Business Day prior to the maturity date.

Conversion price:	Upon issue of the 2025 Convertible Note, the initial conversion price will be HK\$0.169 per Conversion Share (subject to adjustments) on the occurrence of the scenarios detailed in the Letter from the Board. If any adjustment event other than a sub-division occurs which leads the number of Conversion Shares issuable under the 2025 Convertible Note to exceed 1,698,816,568, then the holder of the 2025 Convertible Note shall be entitled to select to convert the 2025 Convertible Note into up to 1,698,816,568 Conversion Shares based on the adjusted conversion price and any outstanding remaining principal amount of the 2025 Convertible Note shall be redeemed by the Company on the maturity date in accordance with its terms.
Ranking of the Conversion Shares:	The Conversion Shares, if and when allotted and issued, shall rank <i>pari passu</i> in all respects with all other Shares in issue as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on or after the date of the relevant conversion notice.
Transferability:	No assignment or transfer (whether in whole or in part) of the 2025 Convertible Note except with consent of the Company to (i) the holding company or (ii) the subsidiaries or affiliated companies of the holder of the 2025 Convertible Note or the fellow subsidiaries or fellow affiliated companies of the holder of the 2025 Convertible Note.
Voting:	The holder of the 2025 Convertible Note will not be entitled to attend or vote at any meetings of the Company by reason only of being the holder of the 2025 Convertible Note.
Others:	The conversion rights attaching to the 2025 Convertible Note shall not be exercisable if and to the extent that immediately after such exercise and the issue of the related Conversion Shares less than 25% of the issued Shares would be held by the public as required by Rule 8.08 of the Listing Rules.

The Company will not be obliged to issue any Conversion Shares if immediately following the conversion there will be a change in control of the Company under the Takeovers Code.

3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, the Group is principally engaged in property development, property investment (comprising ownership and rental of investment properties), investment in securities and others and loan financing business which property development and property investment are the core businesses. With reference to the Letter from the Board, considering the material asset of the Sale Company is the Property with a tenancy in favour of an Independent Third Party for a term expiring on 17 April 2028, at a monthly rent of HK\$925,000, exclusive of Government Rates, management fees and utility charges, the Acquisition will widen the Group's revenue base and extend its market presence by enriching its real estate assets portfolio, the Management believes that the entering into of the Sale and Purchase Agreement will provide rental income and potential for future sale when there is potential buyer(s) who proposes favorable offer(s).

The Acquisition as an investment decision

When evaluating an investment opportunity, the target's intrinsic potential and market timing are paramount. The Property—comprising Shops 1, 2, and 3 on the Ground Floor, including their street-front showcases, along with Shop 1 on the First Floor and Shop 1 on the Second Floor, interconnected by an observation lift in Fa Yuen Plaza, No. 19 Fa Yuen Street, Mong Kok, Kowloon—presents a compelling case on both fronts.

With a substantial gross floor area of approximately 13,544 square feet, the Property's most significant advantage is its unparalleled configuration. We have conducted independent market research on Centaline by means of desktop search, with selection criteria of area over 10,000 square feet with street-front showcases (and not within a shopping mall) and confirms a lack of comparable premises within prominent retail corridors of Mong Kok and Tsim Sha Tsui that offer a contiguous retail space spanning from a prominent Ground Floor presence up to the Second Floor, seamlessly connected by an observation lift.

While Mong Kok inherently benefits from immense pedestrian traffic as a premier tourist and local shopping hub, the extreme density of Hong Kong's retail market demands a point of differentiation to maximize both rental yield and capital appreciation. The Property transcends the conventional retail model. Its unique vertical integration, anchored by high-footfall ground-level units and enhanced by the experiential observation lift, creates a multi-Level flagship destination. This format is ideally suited for cultivating an immersive, brand-centric experience that appeals to today's savvy consumers, offering a respite from the typical transactional nature of the crowded Mong Kok street scene. Although potential anchor discount may be given, the Property being able to hold one single, large anchor tenant will generate a higher and more stable rental income as compared with multiple smaller tenants in fragmented shops, because there are large number of competitive small and fragmented shops available in the market, the Property justify a higher capital value.

Aside from the abovementioned special features, we understood from the Management that making an investment decision shall take into account of wide range of considerations including but not limited to the location, customer traffic, quality of the existing tenant (if any). Quality property shall enhance the potential of long term capital gain. The Property is currently tenanted by a major international fashion brand, its position is a core component of its value, available for other international fashion brand, sportswear megastore, or beauty and wellness emporium, allowing a single tenant to command a powerful brand presence in one of the world's most dynamic retail landscapes. The Acquisition is not merely a property purchase or investment; it is the acquisition of a scalable retail platform in one of the world's most profitable retail locations. Furthermore, beyond the immediate potential for rental yield and capital appreciation, strategic property investment also can enhance long-term wealth preservation and fiscal efficiency. A primary benefit is its innate function as a powerful hedge against inflation; as living costs rise, both rental income and property values typically appreciate in tandem, preserving and enhancing the real value of the capital. As such, we are of the view that the Acquisition is an invaluable opportunity for the Company and is in the interests of the Company and Shareholders as a whole.

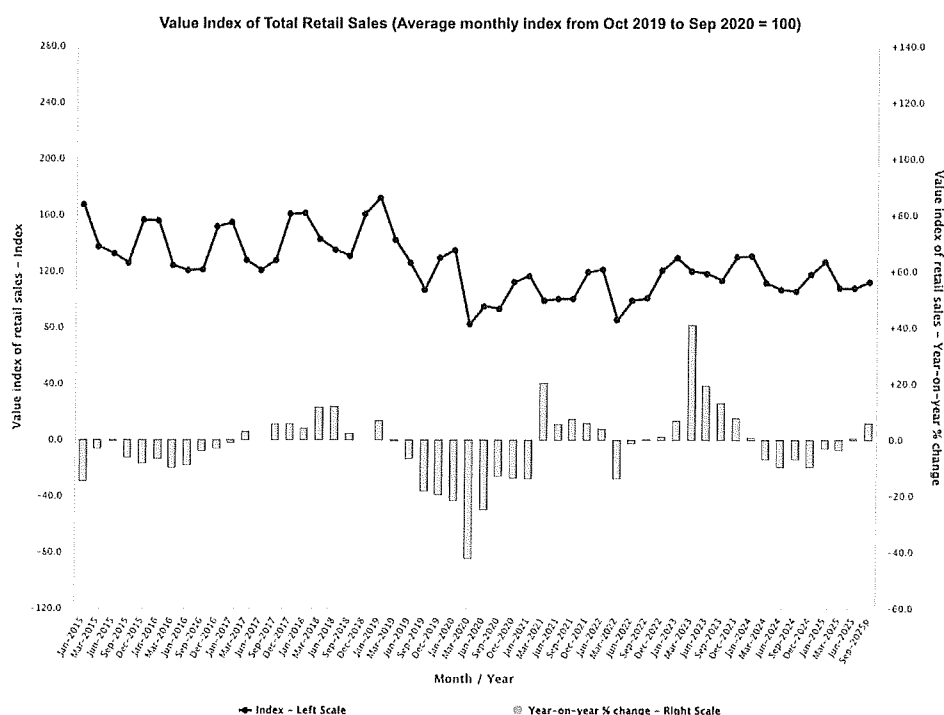
Capital gain

We understood from the Management on the potential cash flow impact of the Acquisition and the financial information of Mark Profit. We noted that the historical cash outflows of Mark Profit related to the Property in total of approximately HK\$42.7 million per annum exceed the cash inflows of approximately HK\$11.1 million. Taken into account that, as confirmed by the Directors, the Enlarged Group will have sufficient working capital for its present requirements for the twelve months period from October 2025 to September 2026, the Acquisition shall not affect daily operation of the Group. We acknowledged that investment opportunities should be grasped in time to enhance return to the Company and Shareholders. Should new financing for the Bank Loans and 2025 Convertible Note are required to be settled, the Company has contingency plan to mitigate such possible risk by disposing the Property. We are of the view that the Directors and Management have made due and careful consideration to safeguard the interests of the Company and the Shareholders. Nonetheless, the cash flow impact and outflows of Mark Profit justified by the Property's rarity as a unique and irreplaceable retail platform, and potential to attract high-value tenants that smaller units cannot, leading to superior and more secure long-term returns, it is also a lever to acquire an asset and an opportunity that might not be available again.

Rental income

In assessing the potential gain on the Property, we noted the Company has assumed an increase of rental income after the expiry of the existing tenancy agreement from monthly rent of HK\$925,000 to HK\$2,080,000 which is equivalent to the monthly rent of the Property during 2019 to 2022 and the highest rental rate of the Property in the last seven years was HK\$2,530,000 per month in 2019, according to the information provided by the Company. As mentioned in the Letter from the Board, the rental income has been reduced due to the adverse impact of Covid-19 pandemic on the retail industry in Hong Kong.

According to the value index of total retail sales¹ from the Census and Statistics Department of Hong Kong as shown below, the value index reached its peak in the last 10 years at 172.2 at the beginning of year 2019 and dropped to its lowest at 82.3 in year 2020 during the Covid-19 pandemic. As mentioned in the Letter from the Board, the number of visitors from Mainland China amounted to approximately 50.8 million in 2018 according to the information published by the Census and Statistics Department, which was the highest in the last twenty years. The 2nd lowest value index was 85.3 in March 2022, when the existing tenancy agreement with monthly rent of HK\$925,000 was signed in May 2022. In 2024, the number of Mainland Chinese visitors amounted to approximately 34.0 million representing an increase of around 27.2% on a year-to-year basis. In the first eight months of 2025, the number of Mainland Chinese visitors amounted to approximately 25.5 million. We are of the view that tourism and retail sales are directly correlated with the market incentives on rental and sales of retail property. In January 2024 and 2025, the total retail sales picked up at 130.8 and 126.7, showing a significant improvement as compared with the time when the existing tenancy agreement was signed.



Based on the current rental income of the Property, rental yield of 1.6% would be generated. With reference to Colliers Quarterly Market Report for Q3 2025², "...high-street rents edged up 1.2% QoQ, led by Tsim Sha Tsui (+1.7%) and Central (+1.3%), reflecting improving sentiment in core districts. Leasing demand was driven by local brand expansions, new international entrants..." while "government initiatives aimed at promoting niche tourism are expected to attract high-spending visitors, further fueling the recovery and growth of the retail market". Looking ahead, the expected continued increase in employment earnings, buoyant local stock market, coupled with the Government's proactive efforts in promoting tourism and mega events and also enterprises' strenuous effort in providing more diversified experiences would provide support to the consumption sentiment in the domestic market and businesses of the retail sector.

Further as noted from a news coverage³, great fluctuation of level of rents occurred on another multi-level retail store with over 10,000 square feet in Mong Kok that ranged from HK\$335,000 to HK\$2.3 million over the past 20 years. As an example reference, it shows that it is not uncommon or abnormal for such substantial leap in monthly rent in retail shops in Mong Kok. In view of the governmental support and signs of recovery of the retail sector in Hong Kong, we consider the rental income of the Property has potentials to generate more profitable returns in the long-run. We have obtained historical tenancy agreements from the Company and verified that the assumed rental of HK\$2,080,000 is equivalent to the monthly rent of the Property during 2019 to 2022, we are of the view that the assumptions made by the Company is logical and reasonable.

Property value

Aside from rental income, value appreciation is also an important consideration in making an investment decision. The Company believes that there is no property available for sale nearby with the same prominent features as that of the Property in the market at the moment and it also considers that purchasing property at the trough of the property market cycle before the recovery phase could be advantageous because the price is comparatively low and hence the buyer may have a greater potential to be benefited from higher returns when the property market expands with price inflation. As long as the cash flow effect caused by the Acquisition is manageable and a contingency plan is in place, it is reasonable to invest in quality retail property at the moment.

¹ Census and Statistics Department - Total Retail Sales, https://www.censtatd.gov.hk/en/web_table.html?id=620-67001#

² Colliers Quarterly Market Report | Q3 2025: Investment Momentum Builds Amid Stabilising Leasing Demand <https://www.colliers.com/en-hk/news/colliers-quarterly-report-q3-2025>

³ News coverage <https://www.hkej.com/dailynews/property/article/3923495/%25E5%2585%25AD%25E7%25A6%258F60%25E8%2590%25AC%25E7%25A7%259F%25E5%259B%259E%25E5%25BD%258C%25E6%2595%25A6%25E9%2581%2593%25E5%25B7%25A8%25E8%2588%2596>

We have conducted independent research on the Hong Kong retail property market and according to the publication⁴ made by Savills in September 2025, “The Hong Kong investment market experienced a significant rebound in Q2/2025, fueled by strong equity market performance and a temporary reduction in funding costs, which collectively enhanced investor confidence and transaction activity. While end users continued to be the primary contributors, there was also a notable increase in cross-border capital, predominantly driven by Mainland funds”. While Hong Kong “Retail market deals in the HK\$30 million to HK\$100 million band became more prevalent, typically yielding 4% to 6%. Activity has been boosted by tourism recovery and declining retail rents, with investors focusing on core-district shops and select trophy assets. While high-value deals above HK\$50 million remain rare, competition for well tenanted retail properties with stable yields is increasing as capital seeks income-generating opportunities within the current cycle.”.

We noted that scenario assessment prepared by the Company in relation to the assumed value of the Property reaching HK\$727 million. We have obtained from the Company and noted the valuation of the Property in 2020 and 2019 of HK\$727 million and HK\$862 million according to the valuation report as at 31 March 2020 and 2019, and noted that the assumption of value of the Property made by the Company is based on the value in 2020. Based on the property market statistics⁵ by the Census and Statistics Department of Hong Kong on private retail – price indices as shown below, the price index of retail properties reached its peak at 591.4 in year 2018 before the Covid-19 pandemic, and dropped to the lowest of 422.9 in 2024.

Year	Prices
2015	559.2
2016	526.9
2017	558.4
2018	591.4
2019	549.7
2020	518.9
2021	543.4
2022	523.0
2023	488.3
2024	422.9
2025 (up to September)	366.0

⁴ Hong Kong Research – Investment, September 2025 by Savills Research – <https://pdf.savills.asia/pacific-research/hong-kong-research/hong-kong-sales-and-investment/market-in-minutes-investment-sep-2025-e.pdf>

⁵ Census and Statistics Department of Hong Kong – property market statistics https://www.rvd.gov.hk/tc/publications/property_market_statistics.html

Taking into account that the current property market is at its lowest in the past 10 years being a good timing and opportunity for investment, we are of the view that the Acquisition is taken place at a favourable time. While the retail market shows multiple signs of recovery and improvements, we are of the view that the property market is expected to recover at a positive trend following the improvements of the retail market. The price index is shown to have significant difference from the highest of 591.4 in year 2019 and 366 in year 2025 and the scenario assessment on the valuation of the Property (appreciation from currently HK\$693 million to 2020's valuation at HK\$727 million) made by the Company is considered to be within a conservative projection. We also consider that taking the historical valuation (2020, HK\$727 million) is a valid and reasonable reference as an assumption and the assessment made by the Company and are fair and reasonable. Accordingly, we concur with the view of the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole. Nonetheless, the business of the Sale Company is complementary to the existing business of the Group, this presents an opportunity for the Group to generate synergies with.

The Synergies of the Acquisition

With reference to the annual report of the Company for the year ended 31 March 2025, the Group has the following major development projects in Hong Kong:

Projects	Address	Area and description
Project Matheson Street	No. 11 Matheson Street, Causeway Bay, Hong Kong. Named as "THE HEDON"	27-storeys brand new Ginza-style building, "The Hedon" – commercial and office use. Approximately 2,857 square feet with a gross floor area of approximately 42,854 square feet.
Project King Lam Street	No. 121 King Lam Street, Kowloon, Hong Kong, named as "One Two One".	Brand new grade-A industrial building 28-storeys with a total of 47 units. Total gross floor area of the property is approximately 7,326 square metres.
Project Kennedy Town	(i) Nos. 1B and 1C and Nos. 1D and 1E of Davis Street, Kennedy Town, Hong Kong ("Davis Street"); (ii) Nos. 93 and 95 Catchick Street, Hong Kong ("Catchick Street").	Commercial and/or residential mixed use development. Combined site area of Davis Street and Catchick Street is approximately 7,122 square feet.

Projects	Address	Area and description
Project Fung Wah	Nos. 646, 648 and 648A Castle Peak Road, Kowloon	Total site area is approximately 9,206 square feet. Expected to redevelop into a high-rise modern industrial building to maximize its usage.

The Acquisition strategically diversifies the Company's portfolio by introducing a mass-market, high-footfall retail asset in a core Kowloon location. This provides a crucial hedge against market cyclicality; for instance, during a downturn in the luxury segment prevalent in the Group's Causeway Bay asset, the more resilient mass-market and experiential spending in Mong Kok is poised to maintain stability (and vice-versa).

The Property is currently tenanted by the Wan Kee Group (trading as Nike), a premier retailer operating under the globally recognized brands. Wan Kee distinguishes itself as the most prestigious tenant within the Group's portfolio, which otherwise comprises local boutique firms. Public records⁶ indicate Wan Kee operates over 12 international athletic brands including but not limited to NIKE, ADIDAS, NEW BALANCE, PUMA, CONVERSE, HOKA, ASICS across multiple districts in Hong Kong. The Acquisition established relationship with a large-scale, reputable retailer presents significant strategic value, unlocking potential for cross-portfolio collaboration and expansion of the Group's tenant base.

Furthermore, the scale and diversity of the Group's expanded portfolio unlock significant operational synergies. The Company can then pursue integrated tenant strategies, such as offering cross-portfolio packages or first-right-of-refusal opportunities, fostering tenant loyalty and maximizing occupancy. This consolidated scale also strengthens the Company's negotiating position, allowing the Company to secure more favorable terms and priority service from vendors and contractors, achieving efficiencies attainable for multiple-asset and multi-purpose property owners. Accordingly, we are of the view that the Acquisition can enhance strategic synergies to the Company and is in the interests of the Company and Shareholders as a whole.

4. Evaluation on the Principal Terms

4.1 Determination of the Purchase Price

As set out in the Letter from the Board, Purchase Price was determined with reference to, among other things, the valuation report prepared by the Valuer in respect of the Property. Accordingly, we have conducted the following assessment and analysis into the fairness and reasonableness of the Purchase Price.

⁶ Website of Wan Kee Group <https://www.wankeegroup.com.hk/site/sports/home/location.html>

(i) Our due diligence work on the Valuer's background, qualifications and experiences

We have interviewed the Valuer and conducted an enquiry into their qualifications and experiences. According to our interview and the information provided by the Valuer, we noted that Mr. Vincent Cheung, a managing director of the Valuer and the signor of the Valuation Report, is a fellow of Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors, a Registered Real Estate Appraiser, Agent People's Republic of China and a Certified ESG Planner CEP®. Mr. Vincent Cheung has over 28-year experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region. Mr. Kit Cheung, the executive director of the Valuer and signor of the Valuation Report, is a fellow of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors, a Registered Real Estate Appraiser People's Republic of China and a Certified ESG Planner CEP®. Mr. Kit Cheung has over 16 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

We have also obtained information on the Valuer's track records on other business valuations. As such, we are of the view that Mr. Vincent Cheung, Mr. Kit Cheung and the Valuer are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Sale Company. We have also enquired with the Valuer as to its independence from the Group and was given to understand that the Valuer is an Independent Third Party of the Group and its connected persons. The Independent Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Group and its associates.

Furthermore, we also noted from the engagement letter entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation of the Property.

(ii) Basic and assumptions adopted in the Valuation Report

We have reviewed the Valuation Report and understand that the Valuation Report was prepared in compliance with the requirements of HKIS Valuation Standards 2024 and the Chapter 5 of the Listing Rule. We also noted that the conclusion of value therein relied on the assumptions that (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests; (ii) no allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale; (iii) the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the property interests; and (iv) the owner of the Property has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the leasehold interests.

(iii) Valuation methodology

We noted that the Valuer considered the application of three common approaches used to estimate the value of the Target Equity Interest, namely (i) the asset approach, (ii) the market approach and (iii) the income approach. We noted that the Valuer have adopted market approach as the principal approach. The valuation results have been cross-checked by Income Approach – Term and Reversion Analysis.

We have reviewed the methodology and basis and assumptions adopted by the Valuer in arriving at the Valuation. We understand from the Valuer that market approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate, each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on. Accordingly, we concur with the Valuer in adopting such market approach for the purposes of the Valuation.

Income Approach is a valuation approach commonly adopted for income producing properties such as industrial units, offices, shops and arcades. The technique used in this valuation by Income Approach is Term and Reversion Analysis.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

We have reviewed the methodology and basis and assumptions adopted by the Valuer in arriving at the Valuation. The Valuer noted that such approach is a common valuation methodology and we have also reviewed similar valuations conducted by other listed companies on the Stock Exchange and noted that such approach is commonly adopted. Although the Property has the specific characteristics such as an observation lift, the market approach is still appropriate for valuation mainly due to the ground floor and upper floor can separate to provide valuation by market approach. In the valuation process, while the specific characteristics of the unit are one of the factors, they are not the primary consideration. We also understand from the Valuer that such separate valuation would not cause a material different and the different and the specific characteristics has already adjusted in the valuation. The Valuer also considered the market approach should be applied and afforded significant weight when there are frequent and/or recent observable transactions of comparable properties in the market. Accordingly, we concur with the Valuer in adopting such market approach for the purposes of the property valuation.

Based on our review of the work done by the Valuer, including our discussion with the Valuer understanding the basis and assumptions adopted, we are of the view that the basis and assumptions adopted in arriving at the property valuation, is fair and reasonable. We were not aware of any irregularities during our discussion with the Valuer or in our review of its qualification and works.

As the Property was located in Mong Kok, it comprises Showcase and Shops 1, 2 & 3 on Ground Floor, Shop 1 on 1st Floor, Shop 1 on 2nd Floor and Staircase & Observation Lift Areas of a 20-storey composite building. We noted that the Valuer has selected four sale comparables for each ground floor and upper floor, respectively, and the Valuer comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, size and so on.

Set out below are the details of the selection criteria and the comparable properties analysed by Valuer:

(a) the ground level comparables and the selection criteria:

The ground floor retail sale comparables have been collected on an exhaustive basis subject to the following selection criteria:-

Property Type: Ground floor retail unit not situated within a tenement building

Location: Located within Yau Tsim Mong District and along a major pedestrian street without disturbance of on-street stalls

Time: Entered into Agreement for Sale & Purchase within 18 months from the valuation date

Building Age: Completed after 1960

Based on the above selection criteria, a total of four relevant ground floor retail sale comparables with unit rates ranging from HK\$143,704 to HK\$218,121 per sq.ft. on the basis of saleable area as tabled below have been collected for the assessment of the ground floor portion of the property.

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Development	Sayoy Mansions	Fook Tai Building	Bo Fung Building	106 Prince Edward Road West
Address	49 Carnarvon Road	24-26 Soy Street	34 Haiphong Road	106 Prince Edward Road West
District	Yau Tsim Mong	Yau Tsim Mong	Yau Tsim Mong	Yau Tsim Mong
Year of Completion	1966	1978	1974	1974
Property Type	Retail	Retail	Retail	Retail
Floor	G/F	G/F	G/F	G/F
Unit	Unit C	Unit 3 & 4	Unit D	Portion A
Saleable Area (<i>sq.ft.</i>)	295.00	270.00	596.00	186.00
Nature	Agreement for Sale & Purchase	Agreement for Sale & Purchase	Agreement for Sale & Purchase	Agreement for Sale & Purchase
Date of Instrument	10 June 2025	6 March 2025	18 April 2024	19 March 2024
Consideration (<i>HK\$</i>)	45,000,000	38,800,000	130,000,000	30,000,000
Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	152,542	143,704	218,121	161,290
Adjustment				
Time	(0.7%)	(3.2%)	(10.1%)	(10.8%)
Location	5.0%	Nil	Nil	10.0%
Building Age	7.4%	5.0%	5.8%	5.8%
Size	(2.9%)	(2.9%)	(2.6%)	(3.0%)
Total Adjustment	8.7%	(1.3%)	(7.4%)	0.7%
Adjusted Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	165,774	141,775	202,087	162,354

(b) the upper floor retail sale comparables and selection criteria:

The upper floor retail sale comparables have been collected on an exhaustive basis subject to the following selection criteria:-

Property Type:	1st floor retail unit not situated within a tenement building
Location:	Located within Yau Tsim Mong District and along a major pedestrian street without disturbance of on-street stalls
Time:	Entered into Agreement for Sale & Purchase within 6 months from the valuation date
Building Age:	Completed after 1960

Based on the above selection criteria, a total of three relevant first floor retail sale comparables with unit rates ranging from HK\$21,127 to HK\$23,256 per sq.ft. on the basis of SA as tabled below have been collected for the assessment of the first floor portion of the property.

	Comparable 1	Comparable 2	Comparable 3
Development	The Capital Park Hotel	Sin Tat Square	Beverley Commercial Centre
Address	61-65 Chatham Road South	83 Argyle Street	87-105 Chatham Road South
District	Yau Tsim Mong	Yau Tsim Mong	Yau Tsim Mong
Year of Completion	1961	1963	1982
Property Type	Retail	Retail	Retail
Floor	1/F	1/F	1/F
Unit	Unit F134	Unit F23	Unit 22 & 23
Saleable Area (<i>sq.ft.</i>)	43.00	71.00	178.00
Nature	Agreement for Sale & Purchase	Agreement for Sale & Purchase	Agreement for Sale & Purchase
Date of Instrument	4 July 2025	20 June 2025	11 April 2025
Consideration (<i>HK\$</i>)	1,000,000	1,500,000	3,968,000
Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	23,256	21,127	22,292
Adjustment			
Time	0.0%	(0.7%)	(2.4%)
Location	Nil	6.0%	Nil
Building Age	8.4%	8.0%	4.2%
Floor Level	Nil	Nil	Nil
Size	(3.5%)	(3.5%)	(3.3%)
Total Adjustment	4.6%	9.7%	(1.7%)
Adjusted Saleable Unit Rate (<i>HK\$/sq.ft.</i>)	24,331	23,178	21,915

In order to assess the fairness and representative of these sale comparables, we have obtained and reviewed the list of sale comparables and discussed with the Valuer on the selection criteria of such sale comparables. We are given to understand that the sale comparables were selected by the Valuer based on their respective locality, size, usage and condition which share the most similarities with the Property. For due diligence purpose, we have independently conducted desktop search to obtain the available information of the sale comparables identified by the Valuer for verification purpose and obtained similar result. From our review, we noted that the sale comparables are all located in the same district and of similar type with the Property which were transacted recently during the period from 2024 to 2025. We have discussed with the Valuer and understand that the Valuer have to refer to the comparables for the ground floor and upper floor with smaller sizes due to limited transaction of sizable retail units in the vicinity.

We further understand that appropriate adjustments and analysis have been considered and made by the Valuer taking into account factors such as differences in time, location, building age, floor level and size between the sale comparables and the Property, to arrive at an assumed unit rate. In order to assess the fairness and representative of the adjustments applied to the sale comparables, we have discussed with the Valuer on the adjustments made to reflect different attributes between the Property and the sale comparables. We are given to understand that the Valuer considered the different attributes between the Property and the sale comparables in terms of transaction time, location, floor level, size and other relevant factors and made adjustments accordingly. We have also obtained the underlying workings and reviewed the detailed calculations of the adjustments made by the Valuer to the unit rates of the sale comparables and consider the adjustments to be logical and able to reflect different attributes between the Property and the sale comparables.

According to the Valuation Report, the adjusted unit rates of the comparables arrive at a range of HK\$141,775 to HK\$202,087 per sq.ft. on the basis of saleable area. The adjusted unit rates of the sale comparables are weighted equally to derive an average of HK\$167,998 per sq.ft. on the basis of saleable area, which has been applied to the valuation of the ground floor portion of the property.

The upper floor also applied adjustments and reference to the Valuation Report, the adjusted unit rates of the comparables arrive at a range of HK\$21,915 to HK\$24,331 per sq.ft. on the basis of saleable area. The adjusted unit rates of the sale comparables are weighted equally to derive an average of HK\$23,141 per sq.ft. on the basis of saleable area, which has been applied to the valuation of the first floor portion of the property.

Since the second floor portion of the property has different floor level and size compared with the first floor portion, further adjustments in terms of floor level and size have been made to the unit rate of the first floor portion to derive the unit rate of HK\$22,335 per sq.ft. on the basis of saleable area for the second floor portion. We discussed with the Valuer and understand that the adjustment which based on the higher floor level and larger size may provide a lower unit rate. We noted that the adjustment is in line with the market, as a result, the adjustment is fair and reasonable.

Based on the above, we are of view that the sale comparables chosen and the adjustments made are appropriate and relevant for providing a fair and reasonable basis for the Valuer's opinion.

Further, the Valuer has also cross-checked the results using the income approach, which estimates the capital value of a property by capitalising rental income at an appropriate capitalisation rate on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level. According to the Valuer, the income approach is commonly adopted for valuation of income producing properties such as offices, shops and arcades subject to existing tenancies. We understand that as of the Valuation Date, the Ground Floor, 1st Floor and 2nd Floor of the property is currently tenanted for a term of 3 years commencing from 18 April 2025 to 17 April 2028 at a monthly rent of HK\$925,000 exclusive of government rent, management fees and utility charges. For its assumptions on rental income, we noted that the has mainly made reference to the (i) existing lease for the retail portion of the Property; and (ii) market rental of retail units in the proximity of the Property with similar characteristics. In this regard, we noted that the Valuer has identified and analysed the lease information of (i) four comparables which are ground retail units in same district; and (ii) three comparables which are upper retail units in same district, and has made appropriate adjustments reflecting the differences in, including but not limited to location, age of the property and transaction time.

According to the Valuation Report, the adopted saleable unit rent for ground floor retail and upper floor retail is HK\$535.1 per sq.ft. per month and HK\$60.2 per sq.ft. per month respectively. We have discussed with the Valuer and understand that the passing rental income is considered as relatively low due to the potential anchor discount offered for the existing single enbloc tenancy when compared to the market rental income. We also discussed with the Management that is common to attract quality tenant to offer a low monthly rent.

As to the capitalisation rate, the Valuer has adopted a term yield of 3.25% (for existing rental income) and a reversionary yield of 3.50% (for reversionary rental income) respectively. We understand from the Valuer that such yields have taken into account its research and analysis of the property market in Hong Kong.

We have reviewed and discussed with the Valuer the aforesaid basis and assumptions adopted in the income approach together with the list of comparables referred to when making the relevant assumptions. We noted that the comparables share certain similarities with the Property in terms of location and unit size. Based on the above, we are of the view that the basis and assumptions made in the income approach by the Valuer are fair and reasonable.

We noted that the valuation from Income Approach – Term and Reversion Analysis is circa HK\$693,000,000 which consistent with the result from market approach. As such, we concur with the Valuer that the valuation results from income approach, which is adopted to cross-check the valuation result from market approach, supports the valuation conclusion.

In addition, we noted the valuation on the Announcement is prepared by Knight Frank Petty Limited. The value of the Property under the Sale company in the books of Easyknit as at 31 March 2025, the date of its latest audited account, was HK\$682 million. We obtained the valuation report which prepared by Knight Frank Petty Limited for review and discussed with the Valuer. As the valuation result prepared by Knight Frank Petty Limited is close to the Valuation Report (i.e. HK\$693 million), we considered that is fair and reasonable.

4.2 Analysis on the Securities Transfer

With reference to the paragraphs headed “THE SALE AND PURCHASE AGREEMENT” in the Letter from the Board, the other assets of Mark Profit mainly include equity securities listed in Hong Kong which includes 268,000 shares of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) (“**Ping An Shares**”) with a total fair value of approximately HK\$12.4 million as at 31 March 2025 of the closing price which quoted from the Stock Exchange. Such securities will be part of the asset that transfer to the Group. The Purchase Price will be adjusted to the value of the Ping An Shares.

According to the latest annual report of the Ping An Insurance (Group) Company, Ping An Insurance (Group) Co of China Ltd is a China-based company primarily engaged in insurance business. It operates in six segments. Life and Health Insurance segment offers life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life insurance, and others. Property and Casualty Insurance segment offers property insurance products, including auto insurance, property insurance, accident and health insurance, and others. Banking segment undertakes loans, intermediary business, wealth management, credit card services, and others. Asset Management segment provides trust products services, brokerage services, trading services, investment banking services, and other asset management services. Finance Enablement segment provides financial and daily-life services through the Internet platforms. The Other Businesses segment is engaged in other insurance related businesses.

After 31 March 2025, the price of Ping An Share starting an increasing trend and reaching to the peak at HK\$58.65 on 25 August 2025. As Ping An Share is a constituent of the Hang Seng Indexes, such increasing was in line with the Hang Seng Indexes. As at the date of the Announcement, the Ping An Share had a total fair value of approximately HK\$14.4 million. Furthermore, Ping An Share will declare an average dividend HK\$2.7264 per share for the last five years. It will provide a stable dividend income to the Group. We understand from the Letter from the Board that the Company intends to hold the Ping An Shares after the Acquisition for at least around three to twelve months to capture potential capital gain after the Company conducted their fundamental analysis. Based on the above, we considered that the acquisition of Ping An Shares aligns with the Company’s investment objectives as a prudent attitude in its well-diversified securities investment.

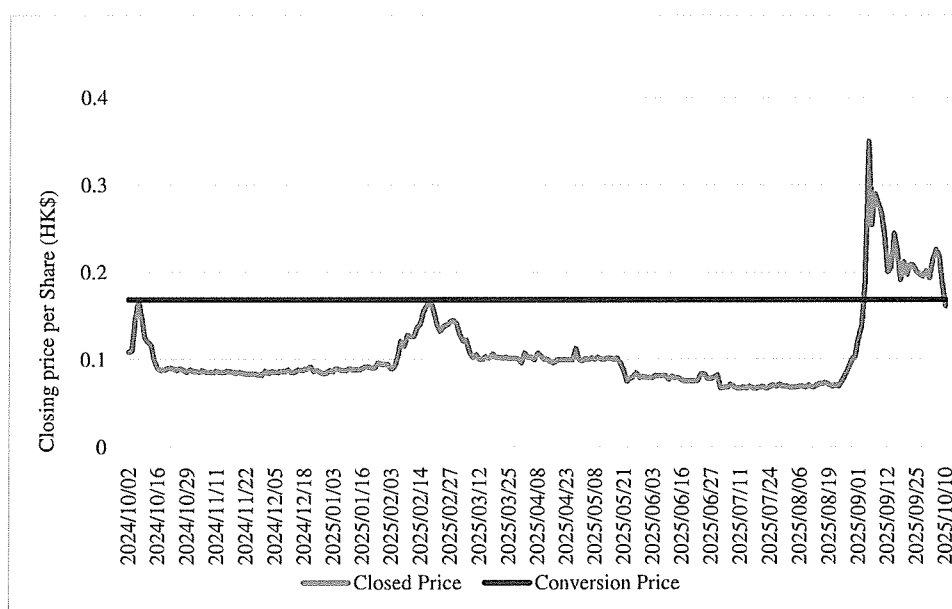
According to the 2025 Annual report, the Group recorded cash and cash equivalents of approximately HK\$57.3 million. We understand that the market acquisition of the Ping An Shares will represent approximately 21.4% of the cash and cash equivalents if acquired as at 31 March, 2025. Such market acquisition may have sufficient financial impacts on the Group's daily operations as it used approximately 21.4% of the internal available funds. We have independently conducted desktop search to obtain the available information of the margin rate of the bank or brokerage firm. Compared with the margin rate, the 5% interest rate of the 2025 Convertible Note is within the range of the margin rate of the banks and the brokerage firms of our research (3.175% to 7.467%) and below of the average margin rate (6.125%). Based on the above, we concur the view of the Directors that the Group acquired the Ping An Shares by using the 2025 Convertible Note will not cause immediate cash outflows to the Group and the interest rate is fair and reasonable.

4.3 Issue of the Convertible Notes under Specific Mandate

With reference to the paragraphs headed "Principal Terms of the 2025 Convertible Note under Specific Mandate" in this letter, and the Letter from the Board, in assessing the fairness and reasonableness of the Issue Price, we have primarily made references to, among others, (i) the historical market prices of the Shares; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with other comparable transactions in the market, details of which are set out below respectively.

(i) *Analysis on the historical market price of the Share during the Review Period*

In order to assess the fairness and reasonableness of the conversion price, we have performed a review on the daily closing prices and trading volume of the Shares from 2 October 2024 up to and including the Last Trading Day (the “**Review Period**”) (being a period of 12 months prior to and including the Last Trading Day) as quoted from the Stock Exchange and compared with the conversion price. The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange from the Review Period and up to and including the Latest Practicable Date.



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

During the Review Period, the closing prices of the Shares were fluctuated between a low of HK\$0.068 per Share and a high of HK\$0.35 per Share, with an average closing price of approximately HK\$0.107 per Share.

Starting from the Review Period, the Share price showed a stable fluctuation between HK\$0.08 to HK\$0.109 from 2 October 2024 to 16 May 2025. After that, the Company announced the disclosure transaction for disposal of listed securities on 16 May 2025, the Share prices dropped from HK\$0.101 and reach to HK\$0.076 on 22 May 2025. The Share price remain to same level until the Company announced the (i) the profit warning on 17 June 2025, and (ii) an annual result for FY2025 on 27 June 2025. The prices of the Shares had dropped to the lowest point of HK\$0.068 on 3 July 2025. Since 22 August 2025, the Share price starting an increasing trend after the annual general meeting and the special general meeting and reached at peak which closed at HK\$0.35 per Share. After reached the peak, the Share price dropped with a decreasing trend and dropped to HK\$0.162 on the Last Trading Day.

As illustrated in the graph above, we note that the Conversion Price of HK\$0.169 per Share is within the range of and in line with the closing price of the Shares throughout the Review Period.

(ii) *Analysis on the historical trading liquidity of the Shares*

The table below sets out the average daily trading volume of the Shares for each month during the Review Period.

Month/Period	Number of trading days	Average daily trading volume of the Shares during the month/period	Average daily trading volume as a percentage of the Shares during the month/period to the total number of issued Shares
2024			
October	21	10,315,958	3.05%
November	21	926,211	0.27%
December	20	656,293	0.19%
2025			
January	19	1,005,882	0.30%
February	20	2,255,017	0.22%
March	21	3,502,622	0.35%
April	19	1,177,632	0.12%
May	20	2,855,752	0.28%
June	21	3,728,811	0.37%
July	22	7,410,419	0.73%
August	21	10,646,439	1.05%
September	22	30,767,964	3.03%
October (up to and including the date of the Sale and Purchase Agreement)	6	21,460,888	2.12%

Source: website of the Stock Exchange

During the Review Period, the Company had increased the number of the Shares with a total of 676,296,232 Shares by right issues in February 2025, resulted in total of 1,014,444,348 issued shares.

During the Review Period, the average daily trading volume of the Shares in each month ranged from a low of approximately 0.12% and up to a maximum of 3.03% to the total number of issued Shares as at the Latest Practicable Date.

(iii) *Comparison with other comparable transactions*

In order to assess the fairness and reasonableness of the proposed terms of the convertible price, we have identified an exhaustive list of two companies (the “**Comparables**”) listed on the Stock Exchange which (i) issuing issues of convertible bond(s) or convertible note(s) under specific mandate during six-month period; (ii) excluded the convertible bond(s) or convertible note(s) without interest rates prior to the date of the Announcement, i.e. 10 October 2025; and (iii) the purpose of issuing the convertible bond(s) or convertible note(s) was not debt settlement.

We consider that the adopted Review Period is reasonably recent and sufficient for providing a general reference to the market practice for the purpose of our assessment. It is worth noting that the underlying issuers of the Comparables may or may not be identical to the Company in terms of principal activities, market capitalisations, profitability, operations and financial positions, and that the circumstances leading to the Comparables to issue convertible notes or convertible bond may differ from that of the Company under the Acquisition, and we consider it to be one of the appropriate bases for assessing the fairness and reasonableness of the convertible price.

Date of initial announcement	Company name (Stock code)	Maturity (year(s))	Interest rate per annum (%)	Premium/ (discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days up to and including the date of the relevant agreement/last trading day		Connected transaction (Y/N)	Purpose of issuing the Convertible bonds
				Premium/ (discount) of issue price over/(to) the closing price on the date of the relevant agreement/last trading day	Premium/ (discount) of price per share for the last five consecutive trading days up to and including the date of the relevant agreement/the last trading day		
10 June 2025	Celestial Asia Securities Holdings Limited (1049.HK)	3	5.0	19.05%	19.05%	Y	Funds for operation
3 September 2025	China Rongzhong Financial Holdings Company Limited (3963.HK)	3	2.75	0.00%	(0.17%)	Y	Funds for operation

Date of initial announcement	Company name (Stock code)	Maturity (year(s))	Interest rate per annum (%)	Premium/ (discount) of issue price over/(to) the average closing price per share for the last five consecutive trading days up to and including the date of the relevant agreement/last trading day	Premium/ (discount) of issue price over/(to) the average closing price per share for the last five consecutive trading days up to and including the date of the relevant agreement/the last trading day	Connected transaction (Y/N)	Purpose of issuing the Convertible bonds
	Maximum interest rate		5.0				
	Minimum interest rate		2.75				
	Average interest rate		3.875				
	Maximum premium/(discount)			19.05%	19.05%		
	Minimum premium/(discount)			0.00%	(0.17%)		
	Average premium/(discount)			9.525%	9.44%		
	The Company	5	5.0	4.32%	(16.34%)		

Source: website of the Stock Exchange

(a) Maturity Date

As shown in the above table, the term to maturity of the Comparables ranged from approximately one year to three years with an average maturity of approximately three years. We note that the maturity of the 2025 Convertible Note of five years is higher than the range and the average maturity of the Comparables. The long maturity period provides the Company with more time before repayment is due, it is favourable to the Company with less repayment and cashflow pressure. As such, we are of the view that the maturity date of the 2025 Convertible Note is fair and reasonable and in the interests of the Company and Shareholders as a whole.

(b) Interest rate

As shown in the above table, the Comparables Issues carried interest of 2.75% to 5% per annum with an average interest rate of approximately 3.875%. We note that the 2025 Convertible Note carries interest of 5% per annum during the term of the 2025 Convertible Note, although higher than the average, it falls within the range of the Comparables.

(c) Conversion Price

In assessing the fairness and reasonableness of the conversion price, as set out below, we have primarily taken into account the market comparables in respect of recent transactions involving issuance of convertible bonds or convertible notes.

- (i) conversion price to the closing price of the shares as at the last trading day prior to the issue of the announcement of the Comparables ranged from same as the closing price to a premium of approximately 19.05% (the “**LTD Range**”) with an average premium of approximately 9.525% (the “**LTD Average**”); and
- (ii) conversion price to the average closing price of the last 5 Trading Days prior to the last Trading Day of the Comparables ranged from a discount of approximately 0.17% to a premium of approximately 19.05% (the “**5-Days Range**”) with an average premium of approximately 9.44% (the “**5-Days Average**”).

The conversion price of HK\$0.169 per Share of the 2025 Convertible Note represents (i) a premium of approximately 4.32% to the closing price per Share on the last Trading Date, which falls within the LTD Range and is comparable to the LTD Average; and (ii) a discount of approximately 16.34% to the average closing price of the last five Trading Days immediately prior to the last Trading Day, which has a deeper discount compared to the 5-Days Range and is comparable to the 5-Days Average mainly due to the decreasing trend of the share price for the last five consecutive trading days. Detail to the share price analysis, please refer to the sub-section headed “(i) Analysis on the historical market price of the Share during the Review Period” above in this section.

(d) Purpose of issuing the Convertible bonds

As shown in the above table, all the purpose of issuing the convertible bonds for the Comparables was funds for operation. The terms of the conversion price, maturity and interest rate for the funds for operation generally provided (i) a short maturity; (ii) interest rate is close to market interest rate; and (iii) a premium of the conversion price. Based on the above, the terms of the convertible bonds from the Comparables provides a comparable reference to the 2025 Convertible Note. We are of the view that the terms of the 2025 Convertible Note is fair and reasonable.

We understand that the common market practice for the consideration of the acquisition involves with cash and/or consideration shares. We considered that it will have material dilution effect if the Group acquire the Sale Company as at 31 March 2025 by the common market practice, based on (i) the cash level of the Group as at 31 March 2025 was low; and (ii) issuing the consideration shares to Easyknit. If the Group settled with consideration shares only, the Group may need to issue 1,772,222,222 consideration shares by reference to the closing price of the HK\$0.162 per Share on the date of the entering into the Sale and Purchase Agreement (i.e. 10 October 2025) which causes a material dilution effect. As issuing consideration shares causes immediate and permanent dilution to existing shareholders, the convertible note delays this dilution until conversion. As a result, it suggested issuing the convertible bonds for the acquisition is the best financing method which can satisfy the consideration without cause immediate cash outflows and dilution effect to the Group. Details of the discussion on the financing method for the acquisition, please refer to the sub-section headed “(iv) Financing Method for the acquisition” below in this section.

(iv) Financing Method for the acquisition

With reference to the Letter from the Board, we understand from the Directors have considered alternative financing methods included (i) equity fund raising methods such as rights issue or an open offer; (ii) asset realization; and (iii) obtain bank loan.

We understand from the Letter from the Board that the Directors considered using equity fund raising methods by way of a rights issue or an open offer, the Directors are of the view that though it would not immediately dilute the interests of the Shareholders if all the Shareholders take up the offer. We understand from the Directors that they considered it will be costly to engage professional parties for the rights issue or an open offer and higher underwriting commission and other related fees due to underwriting uncertainty and/or market risks whilst any arm’s length underwriting arrangement is normally subject to standard force majeure clauses in favor of the underwriter.

According to the table set out in the sub-section headed “Analysis on the historical trading liquidity of the Shares” in this letter, we concur the view of the Directors that thin trading volume of the Shares, it would be difficult for the Group to pursue equity financing in the capital market without providing considerable discount to the prevailing market price of the Shares so as to attract potential investors and/or existing Shareholders. Furthermore, we are in the view that the dilution effect on the rights issue or an open offer is uncertainty mainly due to (i) the market conditions can influence shareholder participation in the rights issue or open offer; (ii) the discount price of the Shares; and (iii) the subscription ratio of the new shares offered. Based on the above, we concur with the view of the Directors that the rights issue or an open offer may have more dilution impact to the Shareholders as compared to the issue of the 2025 Convertible Note which will not cause any dilution unless and until it is converted to Conversion Shares.

We understand from the Letter from the Board that the Directors also considered asset realization for the acquisition. The Company considers that asset realization may have to go through a lengthy process, the timing of which may not match with that required for financing the Acquisition which was planned to be completed in November 2025. Besides, the disposal of the assets may not be favourable and justified given the current market conditions. Offering the completed projects for sale whether by en bloc or strata sale anytime is always a key option taken by the Group when opportunities arise and as long as there is favourable offer. We concur the Company's view that the Company may not be able to dispose of the asset in a short time of period due to the Company mainly carrying properties which are an illiquid asset. We also consider that the Group may need to provide an unfavorable terms and prices if dispose the properties held for sale in shorten period of time based on the current market condition which is not favourable to the Group.

According to FY2025 annual report, the Company recorded properties held for sale and investment in equity securities listed in Hong Kong of approximately HK\$1,846.6 million and HK\$41.5 million as at 31 March 2025. During April 2024 to the Latest Practicable Date, the Company disposed properties and limited partnership interest reference to the related announcements dated 31 May 2024, 28 June 2024 and 24 July 2024 which required around at least a month to go through the disposal process. Also, the Company disposed listed securities reference to the related announcements dated 25 July 2025, 15 August 2025, 25 August 2025, 27 August 2025 and 17 September 2025 which required nearly two months to complete. We are in the view that asset realization to finance the acquisition may not be beneficial to the Company and the Shareholders as a whole base on the above factors. Issuing the 2025 Convertible Note as consideration can provide a shorten time process and less cost occurred which is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

We understand from the Letter from the Board that the Directors considered that the ability to obtain further bank borrowing depends on the profitability and financial positions of Group as well as the prevailing market condition, and may be subject to lengthy due diligence procedures and internal risk assessment by and negotiations with banks. Moreover, as discussed with the bank, the new financing for the Bank Loans of HK\$418 million is related to the Property, representing over 60% of the expected sale value of the Property and hence the Company is unable to obtain further financing from any bank to finance the Acquisition. We have discussed with the Directors and conducted relevant market research. We understand that over the past year, there has been an increase in debt restructuring cases in the real estate industry, and banks have become more cautious in approving new loans and in their risk assessments.

As a result, we concur the view of the Director that the settlement of consideration for the Acquisition by issuing the 2025 Convertible Note is a more viable option to the Company.

(v) *Conclusion*

Taking into account of (i) the conversion price presenting a premium of the closing price of the Shares during the Review Period and the premium is within the LTD range; (ii) the thin trading liquidity of the Shares during the Review Period; (iii) the long maturity date of the 2025 Convertible Note provides longer repayment schedule and less repayment pressure to the Company; (iv) the interest rate is within range of the Comparables and in line with the recent market practice, we are of the view that the conversion price and the terms of the 2025 Convertible Note is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5. Possible dilution effect on interests of other public Shareholders

As depicted by the shareholding table under the section headed “Shareholding structure” in the Letter from the Board, assuming that there will be no change in the issued share capital of the Company from the date of the Completion and up to the date of full conversion of the 2025 Convertible Note alone, for illustration purpose, shareholding interests of other public Shareholders would be diluted from approximately 69.32% as at the Latest Practicable Date to approximately 25.92%. We noted that in the event that Easyknit Group becomes obliged to make a general offer to the Shareholders in compliance with Rule 26 of the Takeovers Code as a result of a conversion of the outstanding principal amount of 2023 Convertible Note and/or 2025 Convertible Note, Easyknit Group will do so. We also noted that, under the 2025 Convertible Note, the Company will not be obliged to issue any Conversion Shares if immediately following the conversion there will be a change in control of the Company under the Takeovers Code. Apart from the conversion restriction attached to the 2025 Convertible Note, the dilution effect could be reduced when the Company repay the 2025 Convertible Note. As discussed in the Letter from the Board, we acknowledged that the Company has assessed the potential capital gain associated with the Property based on the assumption that the 2025 Convertible Note will be fully exercised in the third year following its issuance. The 2025 Convertible Note allows a prolonged conversion period and has reduced the immediate dilution effects as compared with the issuance of consideration shares. As previously discussed, due to the conversion restriction, should Easyknit Group fully convert the 2025 Convertible Note, it shall dispose its conversion shares to the public to maintain shareholding of below 30% and not triggering general offer obligation. Based on the above, we consider the dilution effects on the shareholdings of the public Independent Shareholders are minimized and is acceptable.

Having considered (i) the reasons and benefits as discussed in the above section headed “3. Reasons for and benefits of the Acquisition” of this letter; (ii) the terms of the Acquisition being fair and reasonable; and (iii) the potential financial impacts of the Acquisition on the Group which acquired the Sale Company without a material cash outflows through the issue of the 2025 Convertible Note, we are of the view that the aforesaid level of dilution to the shareholding interests of the Independent Shareholders are justifiable.

6. Financial effects of the Acquisition

Upon the Completion, the Group will be interested in the entire equity interests of the Sale Company, which will become wholly-owned subsidiary of the Company. Accordingly, the financial information of the Sale Company will be consolidated into the accounts of the Company upon the Completion.

When assessing the financial impacts of the Acquisition and the transactions contemplated thereunder, we have primarily taken into account the following aspects:

As presented in the unaudited pro forma financial information of the Post-Transaction Group as set out in Appendix IV to this circular, assuming the Completion took place, the Post-Transaction Group's loss for the year attributable to the Shareholders would increase from approximately HK\$365.3 million to approximately HK\$436.0 million; bank balances and cash would decrease by approximately HK\$1.1 million; and total assets would increase from approximately HK\$4,842.0 million to HK\$5,535.5 million and total liabilities will increase from approximately HK\$2,027.2 million to HK\$2,637.0 million.

RECOMMENDATION

We are of the opinion that the terms of the Acquisition, the issue of the 2025 Convertible Note and the grant of the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Company, the Independent Shareholders and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition, the issue of the 2025 Convertible Note and the grant of the Specific Mandate and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
Ample Capital Limited


H.W. Tang
President


Jenny Law
Vice President

Mr. H.W. Tang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Tang has over 20 years' experience in the corporate finance industry.

Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Law has over 10 years' experience in the corporate finance industry.