
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in ENM Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of ENM Holdings Limited.

This Scheme Document is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.



CHINACHEM GROUP

華懋集團

SOLUTION BRIDGE LIMITED

(incorporated in the British Virgin Islands with limited liability)



ENM HOLDINGS LIMITED

安寧控股有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 128)

**(1) PROPOSAL FOR THE PRIVATISATION OF
ENM HOLDINGS LIMITED
BY SOLUTION BRIDGE LIMITED
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
ENM HOLDINGS LIMITED**

Exclusive Financial Adviser to Solution Bridge Limited

ALTUS CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 15 to 27 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Scheme Shareholders in relation to the Proposal is set out on pages 28 to 29 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in connection with the Proposal is set out on pages 30 to 84 of this Scheme Document. The Explanatory Statement is set out on pages 85 to 105 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 4 to 6 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 10:30 a.m. and 11:00 a.m. respectively (or, in the case of the EGM, as soon thereafter as the Court Meeting shall have been concluded or adjourned) are set out on pages 138 to 140 and 141 to 143 of this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates specified in them respectively. Alternatively, the form of proxy may be handed to the Chairperson of the Court Meeting and/or the EGM before the taking of the poll, who shall have absolute discretion as to whether or not to accept it. If you become a Scheme Shareholder prior to 4:30 p.m. on Friday, 15 September 2023 and remain as a Scheme Shareholder on the Meeting Record Date, you may attend the Court Meeting and/or the EGM and/or complete and return the forms of proxy as described above.

Completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

1 September 2023

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Notice to US investors

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements which are different from those of the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement which differ from the disclosure and procedural requirements applicable under the US federal securities laws.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of the relevant Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. US holders of Scheme Shares are urged to consult their independent professional adviser immediately regarding the tax consequences of the Proposal applicable to them.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US federal securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the United States.

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of ENM Holdings Limited in the United States.

CONTENTS

	<i>Page</i>
QUESTIONS AND ANSWERS	1
ACTIONS TO BE TAKEN	4
DEFINITIONS	7
EXPECTED TIMETABLE	12
LETTER FROM THE BOARD	15
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	28
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	30
EXPLANATORY STATEMENT	85
APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP	106
APPENDIX II PROPERTY VALUATION REPORT	112
APPENDIX III GENERAL INFORMATION	124
SCHEME OF ARRANGEMENT	132
NOTICE OF COURT MEETING	138
NOTICE OF EGM	141

QUESTIONS AND ANSWERS

The following are some of the questions you, as a Scheme Shareholder or a Shareholder, may have and the answers to those questions.

This Scheme Document contains important information and you are encouraged to read this Scheme Document in full, including the Appendices, carefully.

1. What is the purpose of this Scheme Document?

- The purpose of this Scheme Document is to provide you with, among others: (a) information on the Scheme and the expected timetable of the Proposal; (b) recommendations of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee; (c) notices of the Court Meeting and the EGM; and (d) the **pink** and **white** forms of proxy in relation to the Court Meeting and the EGM, respectively.

2. What is the Court Meeting, the EGM and the High Court hearing?

- The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.
- After the Court Meeting has been concluded or adjourned, the EGM or any adjournment thereof will be held for the Shareholders to consider and, if thought fit, pass a special resolution to approve the reduction of the share capital of the Company and for the implementation of the Scheme.
- If the requisite approval is obtained at the Court Meeting and the special resolution is passed at the EGM, the High Court hearing will be held for the High Court to hear the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company.

3. What are the location, date and time of the Court Meeting and the EGM?

- The Court Meeting will be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 10:30 a.m..
- The EGM will be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

4. What do I need to do if I want to vote at the Court Meeting and the EGM?

- You are strongly encouraged:
 - (a) in the case of a Scheme Shareholder or a Shareholder — to exercise your right to vote at the Court Meeting and/or the EGM; or

QUESTIONS AND ANSWERS

(b) in the case of a Beneficial Owner — to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM.

- The actions you should take are summarised in “*Actions to be taken*” and the section headed “22. *Actions to be taken*” in the Explanatory Statement of this Scheme Document. You should read them carefully.

5. What is the Proposal?

- The Proposal involves the proposed privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration for such cancellation, the payment to the Scheme Shareholders of the Cancellation Price of HK\$0.58 in cash for each Scheme Share.
- Upon completion of the Proposal, the Offeror and the Offeror Concert Parties will directly or indirectly hold 100% of the total issued Shares and the Offeror will directly hold 80.48% of the total issued Shares. The Company will apply for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

6. I am an overseas Shareholder. What should I do?

- All overseas Shareholders are advised to read this Scheme Document in its entirety and, in particular, the section headed “18. *Overseas Shareholders*” in the Explanatory Statement of this Scheme Document.

7. Will I have to pay any fees or commissions?

- If your Shares are registered in your name as at the Scheme Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If, as at the Scheme Record Date, you own your Shares through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

8. What is the position of the Independent Board Committee on the Proposal?

- The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document, considers that the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

QUESTIONS AND ANSWERS

- Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document. You are advised to read such letter of advice carefully before taking any action in respect of the Proposal.

9. When do you expect the Proposal to be completed?

- If the Conditions of the Proposal are fulfilled or waived (as applicable), the Proposal is expected to be completed on Tuesday, 14 November 2023.

10. Who should I contact if I have additional questions?

- If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the Share Registrar, at (852) 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.
- You may also visit the Company’s website at www.enmholdings.com and/or direct your questions to the Company by the following ways:

by phone: (852) 2594 0600 (between 9:00 a.m. and 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)

by email: comsec@enmholdings.com

- The above website and hotline cannot and will not provide any advice on the merits of the Proposal or the Scheme or give any financial or legal advice. If you are in doubt as to any aspect of this Scheme Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 September 2023 to Tuesday, 26 September 2023 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 15 September 2023. A subsequent purchaser of Scheme Shares purchased during the above period of closure of register of members will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the **Court Meeting** and a **white** form of proxy for use at the **EGM** are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance doubt, Sunday is a public holiday) before the time appointed for holding the Court Meeting or any adjournment thereof. The white form of proxy for use at the EGM should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance doubt, Sunday is a public holiday) before the time appointed for holding the EGM or any adjournment thereof. Alternatively, the form of proxy may be handed to the Chairperson of the Court Meeting and/or the EGM before the taking of the poll, who shall have absolute discretion as to whether or not to accept it.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

ACTIONS TO BE TAKEN

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any

ACTIONS TO BE TAKEN

Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

3. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE SCHEME WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

DEFINITIONS

In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the exclusive financial adviser to the Offeror in connection with the Proposal
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself or herself
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Cancellation Price”	the cancellation price of HK\$0.58 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Chinachem Group”	Chime Corporation Limited and its subsidiaries
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	ENM Holdings Limited (安寧控股有限公司), a company incorporated in Hong Kong with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 128)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “5. <i>Conditions of the Proposal</i> ” in the Explanatory Statement

DEFINITIONS

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 10:30 a.m. or any adjournment thereof at which the Scheme will be voted upon
“Directors”	the directors of the Company
“Disinterested Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	an extraordinary general meeting of the Company convened to be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on the same date as the Court Meeting at 11:00 a.m. for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 85 to 105 of this Scheme Document
“Group”	the Company and its subsidiaries
“High Court”	the Court of First Instance of the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising (i) Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O’DONNELL, being all the independent non-executive Directors; and (ii) Mr. David Charles PARKER, being one of the two non-executive Directors

DEFINITIONS

“Independent Financial Adviser” or “Optima”	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the joint announcement dated 2 June 2023 issued by the Offeror and the Company in relation to the Proposal
“Last Full Trading Date”	24 May 2023, being the last full trading day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
“Last Trading Date”	25 May 2023, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
“Latest Practicable Date”	29 August 2023, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	1 December 2023, being six months from the date of the Joint Announcement, or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and/or the High Court may direct
“Meeting Record Date”	Tuesday, 26 September 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM
“NAV”	the consolidated net asset value attributable to shareholders of a group
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 2 June 2023
“Offeror”	Solution Bridge Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirectly wholly-owned by Chime Corporation Limited

DEFINITIONS

“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror under the Takeovers Code (including Chime Corporation Limited, Parasia Limited, Milestone Management Limited, Diamond Leaf Limited, Mr. Wong Hung Han, Mr. Choi Wun Hing, Donald, Mr. Tsang Tin For, Mr. Jong Yat Kit and Mr. Wong Tak Wai)
“Offeror Concert Group Shares”	Shares in issue on the Record Date (unless otherwise specified) held or beneficially owned by the Offeror and the Offeror Concert Parties
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“PRC” or “China”	the People’s Republic of China and, but for the purposes of this Scheme Document, excluding Taiwan, Macau Special Administrative Region of the People’s Republic of China and Hong Kong
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Period”	the period commencing on 2 December 2022, being the date falling six months prior to the date of the Joint Announcement, and ending on the Latest Practicable Date
“Scheme”	the scheme of arrangement proposed under section 673 of the Companies Ordinance for the implementation of the Proposal as set out on pages 132 to 137 of this Scheme Document, with or subject to any modification thereof or addition thereto or any condition as may be approved or imposed by the High Court
“Scheme Document”	this composite scheme document dated 1 September 2023 issued jointly by the Offeror and the Company to the Shareholders containing, among other things, each of the letters, statements, appendices and notices in it

DEFINITIONS

“Scheme Record Date”	Monday, 30 October 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Shareholders”	the registered holders of the Scheme Shares
“Scheme Shares”	Shares in issue on the Scheme Record Date other than the Offeror Concert Group Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Share Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the share registrar of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US” or “United States”	United States of America
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

EXPECTED TIMETABLE

The following timetable takes into account the procedures of the Court for the Scheme. The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

Hong Kong time

Despatch of this Scheme Document Friday, 1 September 2023

Latest time for lodging transfers of Shares in order to
qualify for entitlement to attend and vote at the Court
Meeting and the EGM 4:30 p.m.
on Friday, 15 September 2023

Register of members of the Company closed for
determining entitlement to attend and vote at the Court
Meeting and the EGM (*Note 1*) Monday, 18 September 2023 to
Tuesday, 26 September 2023
(both days inclusive)

Meeting Record Date Tuesday, 26 September 2023

Latest time for lodging forms of proxy in respect of:

- Court Meeting (*Note 2*) 10:30 a.m.
on Saturday, 23 September 2023
- EGM (*Note 2*) 11:00 a.m.
on Saturday, 23 September 2023

Court Meeting (*Notes 2 and 3*) 10:30 a.m.
on Tuesday, 26 September 2023

EGM (*Notes 2 and 3*) 11:00 a.m.
on Tuesday, 26 September 2023
(or immediately after the
conclusion or adjournment of
the Court Meeting)

Announcement of the results of the Court Meeting and the
EGM posted on the website of the Stock Exchange no later than 7:00 p.m.
on Tuesday, 26 September 2023

Expected latest time for trading of Shares on the Stock
Exchange 4:10 p.m.
on Friday, 29 September 2023

EXPECTED TIMETABLE

Latest time for lodging transfers of Shares in order to
qualify for entitlements under the Scheme 4:30 p.m.
on Thursday, 5 October 2023

Register of members of the Company closed for
determining entitlements under the Scheme (*Note 4*) from Friday, 6 October 2023 onwards

High Court hearing of the petition for the sanction of the
Scheme (*Note 5*) Monday, 30 October 2023

Announcement of (1) the results of the High Court hearing
for the petition for the sanction of the Scheme, (2) the
expected Effective Date and (3) the expected date of
withdrawal of listing of Shares on the Stock Exchange
posted on the website of the Stock Exchange Monday, 30 October 2023

Scheme Record Date Monday, 30 October 2023

Announcement of (1) the Effective Date and (2) the
withdrawal of listing of Shares on the Stock Exchange
posted on the website of the Stock Exchange Friday, 3 November 2023

Effective Date (*Note 5*) Friday, 3 November 2023

Withdrawal of listing of Shares on the Stock Exchange
becomes effective (*Note 6*) 9:00 a.m.
on Wednesday, 8 November 2023

Cheques for the cash payment under the Proposal to be
despatched (*Note 7*) on or before
Tuesday, 14 November 2023

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he, she or it so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

EXPECTED TIMETABLE

3. If tropical cyclone warning signal no. 8 or above is hoisted, or “extreme conditions” caused by super typhoons, or a black rainstorm warning signal is in force at 8:30 a.m. on Tuesday, 26 September 2023, the Court Meeting and the EGM will be postponed and by virtue of the same notices of the Court Meeting and the EGM set out on pages 138 to 143 to this Scheme Document, the Court Meeting and the EGM shall automatically be postponed to the next Business Day (as defined in the Scheme) at 10:30 a.m. and 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven (7) Business Days of the original date scheduled for the Court Meeting and the EGM. Shareholders may call the hotline at +852 2594 0600 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at www.enmholdings.com for details of alternative meeting arrangements. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

4. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for the entitlements under the Scheme.
5. The High Court hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of the Company provided for by the Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.
6. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Wednesday, 8 November 2023.
7. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.

LETTER FROM THE BOARD



ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 128)

Executive Director

Mrs. Penny Soh Peng CROSBIE-WALSH

Non-executive Directors

Mr. Hung Han WONG

Mr. David Charles PARKER

Independent Non-executive Directors

Mr. Kin Wing CHEUNG

Mr. Kiu Sang Baldwin LEE

Mr. Ted Tak Tai LEE

Ms. Sarah Young O'DONNELL

Registered office

Suites 3301-3302, 33/F

Tower 2, Nina Tower

8 Yeung Uk Road

Tsuen Wan

New Territories

Hong Kong

1 September 2023

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
ENM HOLDINGS LIMITED BY SOLUTION BRIDGE LIMITED
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
ENM HOLDINGS LIMITED**

INTRODUCTION

The respective directors of the Offeror and the Company jointly announced that on 2 June 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration for such cancellation, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share.

LETTER FROM THE BOARD

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount immediately before the cancellation by the allotment and issue to the Offeror, credited as fully paid, of such number of new Shares as the number of Scheme Shares cancelled and extinguished. The credit arising in the books of account of the Company as a result of the capital reduction will be applied in paying up the new Shares so allotted and issued, credited as fully paid, to the Offeror; and
- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place with effect from or as soon as practicable after the Effective Date in accordance with Rule 6.15(2) of the Listing Rules.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme, and to give you notice of each of the Court Meeting and of the EGM (together with forms of proxy in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 30 to 84 of this Scheme Document; (iii) the Explanatory Statement set out on pages 85 to 105 of this Scheme Document; (iv) the terms of the Scheme set out on pages 132 to 137 of this Scheme Document; and (v) the Property Valuation Report set out on pages 112 to 123 of this Scheme Document.

THE PROPOSAL

Subject to the Conditions described in the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement on pages 88 to 91 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

THE SCHEME

Cancellation Price

Subject to the Scheme becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Price:

HK\$0.58 in cash for each Scheme Share cancelled

No price increase statement

The Offeror has stated that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

LETTER FROM THE BOARD

Comparisons of value

The Cancellation Price of HK\$0.58 per Scheme Share represents:

- (a) a premium of approximately 24.7% over the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) A premium of approximately 54.7% over the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Full Trading Date;
- (c) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 49.5% over the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 43.9% over the average closing price of approximately HK\$0.403 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a discount of approximately 16.2% to the audited consolidated net asset value per Share of approximately HK\$0.692 as at 31 December 2022;
- (h) a discount of approximately 12.1% to the unaudited NAV per Share as at 30 June 2023 of approximately HK\$0.660, the calculation of which is set out in the section headed “4. *Property interests and unaudited NAV of the Group*” in Appendix I to this Scheme Document; and
- (i) a premium of approximately 7.4% over the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the Explanatory Statement, the Cancellation Price has been determined by the Offeror after taking into account the then recently traded prices of the Shares prior to the publication of the Joint Announcement, the publicly available historic traded prices of the Shares, financial performance of the Group, the trading multiples of comparable businesses listed on the Stock Exchange and the factors set out in the section headed “*The Offeror’s reasons for and benefits of the Proposal*” below, and with reference to other similar privatisation transactions in Hong Kong in recent years.

LETTER FROM THE BOARD

Assuming that the Scheme becomes effective on Friday, 3 November 2023, cheques for entitlements under the Scheme will be despatched as soon as practicable but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before Tuesday, 14 November 2023. Cheques will be posted at the risk of the addressees and none of the Offeror, the Company, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.58 per Scheme Share and 919,684,531 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$533.4 million.

The Offeror intends to finance the cash required for the Proposal through internal cash resources.

Altus Capital, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions described in the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement on pages 88 to 91 of this Scheme Document.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Shareholders and/or potential investors of the Company should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institutions in securities, bank manager, solicitor or other professional advisers.

IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the number of total issued Shares is 1,650,658,676 Shares;
- (b) the Offeror legally and beneficially owns, controls or has direction over 408,757,642 Shares, representing approximately 24.76% of the issued share capital of the Company;
- (c) the sole director of the Offeror does not legally or beneficially own, control or have direction over any Shares;
- (d) the Offeror Concert Parties beneficially own, control or have direction over 322,216,503 Shares, representing approximately 19.52% of the issued share capital of the Company;
- (e) members of the Altus Capital group, being the Offeror Concert Parties, do not beneficially own, control or have direction over any Shares;
- (f) the Scheme Shareholders hold 919,684,531 Shares, representing approximately 55.72% of the issued share capital of the Company;
- (g) there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (h) neither the Offeror nor the Offeror Concert Parties has entered into any outstanding derivative in respect of the securities in the Company; and
- (i) neither the Offeror nor the Offeror Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares. As at the Latest Practicable Date, (a) the Scheme Shares comprise a total of 919,684,531 Shares held or beneficially owned by the Scheme Shareholders, representing approximately 55.72% of the total issued Shares; and (b) all of the Scheme Shareholders are Disinterested Shareholders.

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed “7. Shareholding Structure of the Company and Effect of the Proposal and the Scheme” in the Explanatory Statement on pages 91 to 93 of this Scheme Document.

The indications as to voting by the Offeror and the Offeror Concert Parties in respect of interests in Shares held by them at the Court Meeting and the EGM are to be found in the section headed “21. Indications as to Voting” in the Explanatory Statement on page 102 of this Scheme Document.

As at the Latest Practicable Date, the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its total issued Shares of 1,650,658,676 Shares.

LETTER FROM THE BOARD

For the avoidance of doubt, the Shares of the Scheme Shareholders, including the Shares held or beneficially owned by the non-Offeror Concert Parties, will be cancelled upon the Scheme becoming effective.

The Offeror and the Offeror Concert Parties will not attend and vote at the Court Meeting. The Offeror Concert Parties who are Shareholders, namely Diamond Leaf Limited, Mr. Jong Yat Kit and Mr. Wong Tak Wai, have undertaken to the Company and the Offeror to be bound by the terms of the Scheme.

All Shareholders will be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and the implementation of the Scheme. The Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) have indicated that, if the Scheme is approved at the Court Meeting, the Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. Upon the Scheme becoming effective, the Offeror and the Offeror Concert Parties will directly or indirectly hold 100% of the total issued Shares and the Offeror will directly hold 80.48% of the total issued Shares.

Mr. Jong Yat Kit and Mr. Wong Tak Wai, who hold 160,000,000 Shares (representing approximately 9.69% of the issued share capital of the Company) as the joint and several administrators of the estate of Ms. Nina Kung, will not vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of capital and the implementation of the Scheme.

THE OFFEROR'S REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed "*11. Reasons for and benefits of the Proposal*" in the Explanatory Statement on pages 95 to 96 of this Scheme Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed "*12. The Offeror's intentions in relation to the Group*" in the Explanatory Statement on page 96 of this Scheme Document.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

LETTER FROM THE BOARD

If the Scheme is not approved or the Proposal lapses, the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “7. Shareholding Structure of the Company and Effect of the Proposal and the Scheme” in the Explanatory Statement of this Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Proposal lapses). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules in the event that the Proposal and the Scheme lapse.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

The Board has noted the “Intention of the Offeror with Regard to the Company” in the Explanatory Statement on page 96 of this Scheme Document following the implementation of the Proposal and that the Offeror (i) intends to work together with the Company’s management to review the structure, operation and business of the Group and subject to funding availability and prevailing market conditions, to implement appropriate strategies to preserve and enhance the value of the Group’s business and assets; and (ii) subject to the aforesaid review, the Offeror has no intention to discontinue the employment of the employees of the Group as at the latest Practicable Date.

In the event that the Scheme is not approved or the Proposal lapses, the Board wishes to draw the Shareholders’ attention to the Company’s outlook on the business operations of the Company as disclosed in the Company’s Annual Report 2022 and the Company’s 2023 interim results announcement set out in the section headed “2. Consolidated Financial Statements” in Appendix I to this Scheme Document. In addition, the Board would like to supplement additional information as follows.

The Swank Shop Limited (“SWANK”) — the fashion retail business of the Company

Notwithstanding the fact that SWANK has incurred losses historically, from around the second half of 2016 and early 2017, following the closure of the unsuccessful mainland China operations, the Board and a new management team of the Company worked diligently to reduce the losses of SWANK by closing uneconomic stores of SWANK in Hong Kong, negotiate more favourable lease terms with landlords and clear the substantial aged inventory much of which was contributed by the overhang from the closed mainland China operations. By the first half of 2019, albeit with a considerably smaller turnover, SWANK was able to deliver a profit.

However, the second half of 2019 saw the impact of the social unrest in Hong Kong and later from January 2020, retailers throughout the world, including SWANK, were impacted by the advent of the pandemic “Covid-19” and the cascading effect of “social distancing” and other measures imposed.

LETTER FROM THE BOARD

While the circumstances described above have made it challenging for SWANK to operate profitably, the Board has regularly, and will from time to time, conduct assessments and evaluation of its strategy in relation to this business segment. In the meantime, the management team of the Company continues to make effort to reduce the impact of the adverse trading conditions on the SWANK business, including but not limited to, provisioning of a much-reduced inventory and managing risk so that any impairment losses (if necessary) are minimised.

The Hill Top Club and the Hill Top Road Land (“Hill Top” and the “Land”)

The operating plan of Hill Top hinges on the progress of the Land Exchange application and Land Premium negotiation process with the HKSAR Government. It is the Board’s view that the future value of Hill Top lies with the redevelopment of the Land, however, such redevelopment would carry with it development risks as explained in the paragraphs below.

Under the direction of the Board, the Company made a rezoning application of the Land in January 2018, where Hill Top is located, which received approval by the Town Planning Board in September 2020 (the “**Rezoning Approval**”) and was gazetted by the HKSAR Government in February 2022. Since the Rezoning Approval, the Company has adopted the valuation methodology that is based on open market and highest and best use, with the use of residual method. The Board acknowledges that the assumptions set out in the property valuation report as at 30 June 2023 (the “**Valuation Report**”) included in Appendix II to this Scheme Document, in relation to the estimated capital value of the property as if completed as at the Valuation Date according to the development proposal and the estimated redevelopment cost, are appropriate for the valuation approach. Based on the land valuation of HK\$380,000,000 in the Valuation Report, the unaudited Land value per Share as of 30 June 2023 is HK\$0.230, as compared to the unaudited Land value per Share of HK\$0.039 as of 30 June 2020, prior to the Rezoning Approval. For reference, the unaudited Land value per Share is calculated by dividing (i) the value of the Land as of 30 June 2023 or 30 June 2020 (as applicable) by (ii) the total number of Shares of the Company as of 30 June 2023 or 30 June 2020 (as applicable).

As stated in the Annual Report 2022, the Company has commenced the Land Exchange application process through the Lands Department. Since the commencement of the process at the end of 2021, progress has been slower than anticipated and in common with all similar applications, exacerbated by the problems in the emergence of the relevant government agencies from Covid-19 restrictions and ongoing bouts of illness amongst their staff members. Nevertheless, given the Rezoning Approval has been achieved, the Board is entitled to be confident on ultimately completing the Land Exchange application, as well as negotiating with the relevant authority on the amount of the Change of Land Use Premium (“**Premium**”) to be charged. Based on the Company’s latest communication with the Lands Department, it is expected that the comments and enquiries from the Lands Department on the land exchange application shall be resolved by November 2023 and then ready to be submitted to and be considered at the District Lands Conference in December 2023. Subsequently, the Lands Department is expected to issue the provisional basic terms of offer (“**PBTO**”) (excluding the Premium amount) around January 2024 to the Company, and the Company will be required to confirm acceptance by the date specified in the PBTO. Thereafter, if the Lands Department has determined that the road widening works of Hilltop Road require to be gazetted, the process will be carried out after the PBTO is issued and is estimated to be completed by August 2025. Following that, it is anticipated that the Lands Department Headquarter will take approximately 2 months to carry out the assessment of Premium amount, from September to October 2025. It is then

LETTER FROM THE BOARD

expected that a formal basic terms of offer (“FBTO”) (including the Premium amount) shall be issued around November 2025, and the Company will then be required to confirm its acceptance of the FBTO by the date specified in the FBTO. If the Company makes any appeal on the Premium amount, the Lands Department will take approximately 6 months to process each appeal. Assuming the Company accepts the FBTO including the Premium amount without any appeal, execution of the land exchange documents is expected to take place in around the first quarter of 2026.

The Board acknowledges that the funding of the Premium is a primary hurdle to the Company’s ability to conduct redevelopment of the Land. Although the Company has cash and bank deposits and short-term financial assets at fair value through profit or loss of HK\$593,424,000 and together with non-current financial assets at fair value through profit or loss in the form of private equity investments of HK\$59,804,000 as of 31 December 2022, such sums in aggregate amounted to HK\$653,228,000 which on a standalone basis is likely to be insufficient to pay the anticipated Premium amount. The Board has familiarised itself with the potential options available to the Company, including third party financing and joint venture arrangement, to meet the funding requirements. However, as of the Latest Practicable Date, there is no assurance that any of the potential options will be implemented or eventuate, and no concrete decisions have been taken by the Board concerning such options. The Board will conduct in-depth feasibility study of the potential options and will make such evaluation and determination at an appropriate time after considering all relevant factors and circumstances, in particular, the best interests of the Company and all the Shareholders as a whole.

In terms of the talent pool of the Company to support the possible land development, the Board has at least 2 directors with land development experience. The Board believes that, with the Company’s available resources, it will likely be able to recruit new talent with such sector experience if it were to embark on any land development business.

As stated earlier, the operation of Hill Top is tied to the progress of the Land Exchange. The ongoing maintenance and upkeep, as well as the security of the Hill Top premises and grounds are required under the current Land Grant, and also for prudent management. The Board and management have made concerted efforts from time to time to reduce the losses of Hill Top and will continue to do so going forward. The Board evaluates periodically when it believes will be the optimal time for the closure of Hill Top and its recreational operations, with the intention to provide both the club members and staff with as much advance notice as possible so that they can make other arrangements. The Board believes that such approach is in line with its ESG obligations.

For the background information of each of the aforesaid businesses and assets of the Group, please refer to the annual and interim reports, interim results announcement as set out in the section headed “2. Consolidated Financial Statements” in Appendix I to this Scheme Document.

In summary, the Board and the management team of the Company will continue to discharge their respective duties and to act in the best interests of the Company and all the Shareholders as a whole.

LETTER FROM THE BOARD

EXCLUSIVE FINANCIAL ADVISER TO THE OFFEROR AND THE INDEPENDENT BOARD COMMITTEE

The Offeror has appointed Altus Capital as its exclusive financial adviser in connection with the Proposal.

The Independent Board Committee, which comprises (i) Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL, being all the independent non-executive Directors; and (ii) Mr. David Charles PARKER, being one of the two non-executive Directors, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the Proposal is, or is not, fair and reasonable and as to voting in respect of the Scheme at the Court Meeting and the Proposal at the EGM.

Mr. Hung Han WONG, being the other non-executive Director, does not form part of the Independent Board Committee as he is a director of Milestone Management Limited, the sole director of the Offeror, and Chime Corporation Limited, the ultimate holding company of the Offeror. He is therefore one of the Offeror Concert Parties.

The full text of the letter from the Independent Board Committee is set out on pages 28 to 29 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed Optima Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal.

The full text of the letter from the Independent Financial Adviser is set out on pages 30 to 105 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I to this Scheme Document headed "*Financial Information Relating to the Group*" on pages 106 to 111 of this Scheme Document, and the sections headed "*14. Information on the Offeror*" and "*15. Information on the Company*" in the Explanatory Statement on page 97 and pages 97 to 98 respectively of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas Scheme Shareholders, your attention is drawn to the section headed "*18. Overseas Shareholders*" in the Explanatory Statement on pages 99 to 100 of this Scheme Document.

LETTER FROM THE BOARD

COURT MEETING AND EGM

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date; and to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

The Offeror and the Offeror Concert Parties will not attend and vote at the Court Meeting. The Offeror Concert Parties who are Shareholders, namely Diamond Leaf Limited, Mr. Jong Yat Kit and Mr. Wong Tak Wai, have undertaken to the Company and the Offeror to be bound by the terms of the Scheme.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of the relevant resolutions to be proposed at the EGM.

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “20. *Court Meeting and EGM*” in the Explanatory Statement on pages 101 to 102 of this Scheme Document, the section headed “22. *Actions to be taken*” in the Explanatory Statement on pages 102 to 104 of this Scheme Document, and the notices of the Court Meeting and the EGM on pages 138 to 140 and pages 141 to 143 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed “22. *Actions to be taken*” in the Explanatory Statement on pages 102 to 104 of this Scheme Document.

RECOMMENDATION

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned and accordingly recommends the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the special resolution necessary to implement the Proposal and the Scheme at the EGM.

LETTER FROM THE BOARD

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the “*Letter from the Independent Financial Adviser*” on pages 30 to 84 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the “*Letter from the Independent Board Committee*” on pages 28 to 29 of this Scheme Document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from or as soon as practicable after 9:00 a.m. on Wednesday, 8 November 2023.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions described in the section headed “*5. Conditions of the Proposal*” in the Explanatory Statement on pages 88 to 91 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn and Shares will continue to be traded on the Stock Exchange. Your attention is drawn to the section headed “*If The Scheme Is Not Approved Or The Proposal Lapses*” set out on pages 19 to 22 in this “Letter From The Board”.

Your attention is drawn to the sections headed “*16. Withdrawal of listing of Shares*” and “*17. Registration and Payment*” in the Explanatory Statement set out on page 98 and pages 98 to 99, respectively, of this Scheme Document.

LETTER FROM THE BOARD

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal shall be responsible (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their approval or rejection, or implementation, of the Proposal. Accordingly, you are urged to read the section headed “19. Taxation and Independent Advice” in the Explanatory Statement set out on page 101 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you are recommended to consult an appropriately qualified professional adviser.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 28 to 29, and pages 30 to 84 respectively of this Scheme Document, the Explanatory Statement as set out on pages 85 to 105 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages 132 to 137 of this Scheme Document, the Property Valuation Report as set out on pages 112 to 123 of this Scheme Document, the notice of the Court Meeting as set out on pages 138 to 140 of this Scheme Document and the notice of the EGM as set out on pages 141 to 143 of this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the EGM are enclosed with this Scheme Document.

By order of the board of
ENM HOLDINGS LIMITED
Penny Soh Peng CROSBIE-WALSH
Executive Director and Chief Executive Officer



ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 128)

1 September 2023

To the Disinterested Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
ENM HOLDINGS LIMITED BY SOLUTION BRIDGE LIMITED
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
ENM HOLDINGS LIMITED**

We refer to the document dated 1 September 2023 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders in respect of the Proposal, details of which are set out in the “*Letter from the Board*” and the “*Explanatory Statement*” of the Scheme Document.

Optima Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “*Letter from the Independent Financial Adviser*” of the Scheme Document.

In the “*Letter from the Independent Financial Adviser*” of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned and accordingly recommends the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the special resolution necessary to implement the Proposal and the Scheme at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the “*Letter from the Board*” set out in the Scheme Document; (ii) the “*Letter from the Independent Financial Adviser*”, which sets out the factors and reasons taken into account in arriving at its recommendations to the Independent Board Committee, set out in the Scheme Document; (iii) the Explanatory Statement set out in the Scheme Document; and (iv) the Property Valuation Report set out in the Scheme Document.

Yours faithfully,

the Independent Board Committee

Mr. Kin Wing CHEUNG
*Independent Non-executive
Director*

Mr. Kiu Sang Baldwin LEE
*Independent Non-executive
Director*

Mr. Ted Tak Tai LEE
*Independent Non-executive
Director*

Ms. Sarah Young O'DONNELL
*Independent Non-executive
Director*

Mr. David Charles PARKER
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter from Optima Capital Limited containing its advice to the Independent Board Committee, which is prepared for the purpose of incorporation in this Scheme Document.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

1 September 2023

To the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF
ENM HOLDINGS LIMITED BY SOLUTION BRIDGE LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
ENM HOLDINGS LIMITED**

INTRODUCTION

We refer to the appointment of Optima Capital Limited as the Independent Financial Adviser to the Company to advise the Independent Board Committee in respect of the Proposal (including the Scheme). Details of the Proposal are set out in the Scheme Document dated 1 September 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 2 June 2023, the Company and the Offeror jointly announced that on even date, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance (i.e. the Scheme). If, under the Scheme, the Proposal is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration for such cancellation, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.58 in cash for each Scheme Share cancelled and extinguished. The Proposal is subject to the fulfilment or waiver (as applicable) of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. Upon it becoming effective, the Scheme will be binding on the Company and all Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL, and one of the two non-executive Directors, namely Mr. David Charles PARKER, has been established to make a recommendation to the Disinterested Shareholders as to (i) whether the Proposal is, or is not, fair and reasonable; and (ii) voting in respect of the Scheme at the Court Meeting and the Proposal at the EGM. Mr. Hung Han WONG (“**Mr. Wong**”), who is a non-executive Director and the non-executive Chairman of the Board, is not a member of the Independent Board Committee as he is also a director of Milestone Management Limited (“**MML**”) and Chime Corporation Limited (“**CCL**”). MML is the sole director of the Offeror, while CCL is the ultimate holding company of the Offeror. Mr. Wong is therefore one of the Offeror Concert Parties.

We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal. Our appointment has been approved by the Independent Board Committee. We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any parties acting, or presumed to be acting, in concert with any of them. During the two years immediately prior to the date of our appointment, we have not (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from the current appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any parties acting, or presumed to be acting, in concert with any of them (including the Offeror Concert Parties). We are therefore eligible to give independent advice in respect of the Proposal.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and by the management of the Company (the “**Management**”), and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were provided and expressed, and continue to be true, accurate and complete in all material respects up to the Latest Practicable Date. We have considered, among other things, (i) the joint announcement of the Company and the Offeror dated 2 June 2023 in respect of the Proposal (the “**Joint Announcement**”); (ii) the information set out in the Scheme Document including, among others, (a) the letter from the Board (the “**Letter from the Board**”); (b) the explanatory statement (the “**Explanatory Statement**”) including, among other things, the statements in respect of the reasons and benefits of the Proposal and the intention of the Offeror in relation to the Group contained therein; and (c) the financial information of the Group including, among other things, the statement of indebtedness and contingent liabilities and the material change statement of the Group; (iii) the historical annual reports of the Company for the financial years ended 31 December 2018, 2019, 2020, 2021 and 2022 (“**FY2018**”, “**FY2019**”, “**FY2020**”, “**FY2021**” and “**FY2022**”, respectively) and its interim results announcement for the six months ended 30 June 2023 (“**1H2023**”) dated 25 August 2023 (the “**2023 Interim Results Announcement**”); (iv) the valuation report (the “**Valuation Report**”) prepared by Knight Frank Petty Limited (the “**Valuer**”) in respect of the valuation of the market values in existing state of the property interests of the Group as at 30 June 2023 (the “**Valuation Date**”), the text of which is contained in Appendix II to the Scheme Document; (v) the information and representations provided by and our discussions with the Valuer in respect of the bases and assumptions and methodology adopted by them by their valuation; and (vi) other information obtained from the public domain. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Offeror or the associates of any of them, nor have we carried out any independent verification of the information supplied. Shareholders will be informed as soon as practicable if we shall become aware of any material changes to the information contained or referred to in this letter and our opinion after the Latest Practicable Date and up to the Effective Date.

In relation to the Proposal, we have not considered the tax and regulatory implications on the Scheme Shareholders of the approval or disapproval of the Scheme since these depend on their individual circumstances. Scheme Shareholders, whether in Hong Kong or other jurisdictions, should consider their own tax position and, if in any doubt, should consult their own professional advisers.

TERMS OF THE PROPOSAL

On 2 June 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company. The salient terms of the Proposal are set out below, as summarised from the Letter from the Board and the Explanatory Statement. The Scheme Shareholders are urged to read the Scheme Document and its appendices in full for details of the Proposal.

The Scheme

The Scheme Shares comprise all the Shares other than those held by the Offeror and the Offeror Concert Parties. As at the Latest Practicable Date, the Scheme Shares comprise a total of 919,684,531 Shares held or beneficially owned by the Scheme Shareholders, representing approximately 55.72% of the total issued Shares.

The issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issue to the Offeror, of the same number of new Shares credited as fully paid as the number of Scheme Shares cancelled and extinguished.

Shares held by the Offeror and the Offeror Concert Parties will not be cancelled and extinguished under the Scheme and will continue to be held by them upon the Scheme becoming effective.

Upon the Scheme becoming effective, the Offeror and the Offeror Concert Parties will directly or indirectly hold 100% of the issued share capital of the Company and the Offeror will directly hold 80.48% of the issued share capital of the Company.

Cancellation Price for the Scheme Shares

If the Proposal involving the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration for such cancellation, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.58 in cash for each Scheme Share cancelled and extinguished. **The Offeror has stated in the Joint Announcement that the Cancellation Price would not be increased and the Offeror did not reserve the right to do so.**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is stated in the Explanatory Statement that the Cancellation Price has been determined by the Offeror after taking into account (a) the recently traded prices of the Shares prior to the publication of the Joint Announcement; (b) the publicly available historical traded prices of the Shares; (c) the financial performance of the Group; (d) the trading multiples of comparable businesses listed on the Stock Exchange as identified by the Offeror; and (e) the factors set out in the section headed “*II. Reasons for and benefits of the Proposal*” in the Explanatory Statement, as well as with reference to other similar privatisation transactions in Hong Kong in recent years as identified by the Offeror. We are not privy to the aforesaid comparable businesses nor privatisation transactions which have been identified by the Offeror in their determination of the Cancellation Price, but we have conducted our own analysis on the Cancellation Price as more particularly described below.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$0.58 per Scheme Share and 919,684,531 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal is approximately HK\$533.4 million.

The Offeror intends to finance the payment required for the Proposal through internal cash resources.

Conditions of the Proposal

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “*5. Conditions of the Proposal*” in the Explanatory Statement on or before the Long Stop Date, being 1 December 2023. Included in the conditions are, among others, the following:

- (a) the Scheme being approved by the Disinterested Shareholders (by way of poll) representing at least 75% of the voting rights of the Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and section 674(3) of the Companies Ordinance);
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished;
- (c) the sanction of the Scheme (with or without modification) under section 673 of the Companies Ordinance and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) since the date of the Joint Announcement, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal.

The conditions referred to in (a), (b) and (c) above, among others, are not waivable. The Offeror reserves the right to waive the condition referred to in (d) among the conditions set out above. In the Explanatory Statement contained in the Scheme Document, it is stated that with reference to the condition in paragraph (d) above, as at the Latest Practicable Date, the sole director of the Offeror, being MML, and, save as disclosed in the section headed “5. *Material Change*” in Appendix I to the Scheme Document, the Company were not aware of any such event or circumstance.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

INFORMATION ON THE OFFEROR, REASONS FOR AND BENEFITS OF THE PROPOSAL AND THE OFFEROR’S INTENTION REGARDING THE GROUP

The Offeror is indirectly wholly-owned by CCL, the ultimate holding company of the Chinachem Group, which is a privately-owned property developer based in Hong Kong. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties beneficially owned, controlled or had direction over 730,974,145 Shares, representing approximately 44.28% of the total issued Shares. More information on the Offeror and Offeror Concert Parties are contained in the section headed “14. *Information on the Offeror*” in the Explanatory Statement.

The Offeror’s views on the reasons for and benefits of the Proposal are set out in the section headed “11. *Reasons for and benefits of the Proposal*” in the Explanatory Statement. Additionally, the Offeror’s intention towards the Group following implementation of the Proposal are set out in the section headed “12. *The Offeror’s intention in relation to the Group*” in the Explanatory Statement. In the Letter from the Board, Shareholders are urged to read carefully the above information in the Explanatory Statement.

We note from the Explanatory Statement that, the Offeror states that following implementation of the Proposal, it intends, among other things, to work together with the Company’s management to review the structure, operation and business of the Group and, subject to funding availability and prevailing market conditions, implement appropriate strategies to preserve and enhance the value of the Group’s business and assets. On the other hand, the Explanatory Statement is silent on the Offeror’s intentions regarding the Group if the Scheme is not approved or the Proposal lapses. Details of the Offeror’s intention towards the Group following implementation of the Proposal are more particularly set out in the section headed “12. *The Offeror’s intention in relation to the Group*” in the Explanatory Statement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

As stated in the Joint Announcement, the Letter from the Board and the Explanatory Statement, if the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. Listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or the Proposal otherwise lapses.

In the section headed “*If the Scheme is not approved or the Proposal Lapses*” in the Letter from the Board, Shareholders’ attention is drawn to the Company’s outlook on the business operations of the Group as disclosed in the Company’s annual report for FY2022 and the 2023 Interim Results Announcement. The Board has further supplemented its discussions in the Letter from the Board with additional information on the Group’s fashion retail business, the Hill Top Club operation and the property where the club operates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal, we have taken into account the following principal factors and reasons:

1. Information of the Group

1.1 Businesses of the Group

The Company is incorporated in Hong Kong with limited liability. As stated in the annual report of the Company for FY2022, the principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries comprise of the retail of fashion wear and accessories (the “**Fashion Retail Segment**”), resort and recreational club operations (the “**Club Segment**”), investment holding and securities trading (the “**Investments Segment**”).

1.1.1 Fashion Retail Segment

During FY2022 and 1H2023, the Fashion Retail Segment of the Group involved the procurement of multi-label premium fashion wear and accessories for retail in its stores under the brand of “SWANK” and the operation of a mono-brand boutique under the brand of “*Paule Ka*” in Hong Kong. SWANK has been operating in Hong Kong since 1955 in the luxury fashion retailing business. The Group also sells the men’s fashion brand “*Cesare di Pino*”, which was founded in Milan in 1987, at the SWANK retail stores. As at the Latest Practicable Date, SWANK operates two retail stores in Central and Tsim Sha Tsui, and one outlet store in Aberdeen. On the other hand, the Paule Ka mono-brand boutique was closed in July 2023 due to non-renewal of the lease by the landlord for its refurbishment plan for the entire shopping podium. We understand from the Management that the Company has incorporated the Paule Ka brand into the SWANK flagship store in Central Building, as well as its exclusive ladies wear store at The Elements mall.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For FY2022 and 1H2023, the revenue generated by the Fashion Retail Segment represents about 75% and 72% of the total revenue of the Group, respectively.

1.1.2 Club Segment

The Group operates the Hill Top Country Club (the “**Club**”), which was opened in 1980 and is one of Hong Kong’s earliest private clubs. The Club is situated at 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong with a total site area of approximately 431,000 square feet (the “**Club Land**”). The buildings and premises presently built on the Club Land is suited for sports, recreational, outdoor and conference activities, and dining and lodging facilities for members. The operation of the Club business is the contributor to the revenue in the Club Segment up to the present.

As explained in the announcement of the Company dated 19 January 2018, consequent upon a feasibility study and certain planning and related consultancies, as well as the Board’s review of the increasingly competitive and challenging market conditions faced by the Club Segment and in view of the economic environment and surging housing demand in Hong Kong, in January 2018, the Company submitted a plan amendment application (the “**Rezoning Application**”), to the Town Planning Board for the Rezoning of the Club Land for residential use. Approval of the Rezoning Application was received from the Town Planning Board in September 2020 (the “**TPB Rezoning Approval**”) and the approval was granted by the Chief Executive in Council in February 2022 (the “**CE Rezoning Approval**”). The Company has since engaged the service of a land consultant to commence the application for land exchange to the Lands Department (the “**Land Exchange**”). While the Land Exchange process is ongoing, the Club business is still in operation. In the Letter from the Board under the section headed “*The Hill Top Club and the Hill Top Road Land*” the Board states that in its view, the future value of this segment lies with the redevelopment of the Club Land. Further information on the Land Exchange process and the expected timeline to completion of the Land Exchange (including agreement with the Government on the land premium to be charged) is more particularly discussed in the subsection headed “*1.3 Prospects of the Group — 1.3.2 Club Segment*” below in this section.

For FY2022 and 1H2023, the revenue generated by the Club Segment represents about 9% and 10% of the total revenue of the Group, respectively.

1.1.3 Investments Segment

As set out in its annual report of the Company for FY2022, the Group’s Investments Segment is engaged in the holding and trading of investments for short term and long term investment returns. The Group’s investments consist primarily of (i) a diversified investment portfolio of financial instruments (the “**Investment Portfolio**”). Further information of the Investments Portfolio is more particularly described below; and (ii) the investment properties located at the 4th and 5th floors (with a total saleable area of approximately 16,917 sq. ft), roof (with a total measurable area of approximately 3,467 sq. ft.) and parking spaces nos. 3 and 5 of Wai Hing Factory Building located at 37-41 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the “**Investment Properties**”, together with the Club Land, the “**Properties**”). The Investment Properties are for industrial use and have been leased to independent third party tenants for a monthly rental of HK\$82,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For FY2022 and 1H2023, the revenue generated by the Investments Segment represents about 16% and 18% of the total revenue of the Group, respectively.

1.1.3.1 Investment Portfolio

The Investment Portfolio mainly comprises four categories: (i) marketable funds investment; (ii) discretionary investment portfolio; (iii) listed securities investment; and (iv) other fund investments, including private equity funds, the details of which are set out below.

Marketable Funds

The marketable funds investment portfolio includes four primary investment strategies, namely money market investments, investment grade & high yield bond funds, enhanced yield funds and equity funds.

Discretionary investment portfolios

The discretionary investment portfolios are managed by Morgan Stanley, LGT and Julius Baer. These portfolios invest in various instruments, including but not limited to traditional and sophisticated multi-asset, equity and fixed income funds, mutual funds, exchange-traded funds, money market instruments, listed securities, corporate bonds and alternative investments.

Listed securities investments

In addition to the listed securities held in the discretionary investment portfolios as mentioned above, there is one other listed securities in the Investment Portfolio, which are certain shares in China Motor Bus Company Limited (stock code: 26), a company listed on the Stock Exchange.

Other fund investments

Other fund investments mainly comprise investments in private equity funds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information of the Group

1.2.1 Financial performance

Set out below is the summary of the audited and unaudited financial performance of the Group for FY2020, FY2021, FY2022 and the six months ended 30 June 2022 (“1H2022”) and 1H2023 as extracted from the annual reports of the Company for FY2021 and FY2022 and the 2023 Interim Results Announcement:

	FY2020	FY2021	FY2022	1H2022	1H2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	104,977	109,501	94,387	40,966	60,850
Cost of sales	<u>(39,419)</u>	<u>(40,927)</u>	<u>(41,122)</u>	<u>(19,540)</u>	<u>(22,906)</u>
Gross profit	65,558	68,574	53,265	21,426	37,944
Other income	12,045	1,651	4,368	2,728	693
Selling and distribution costs	(40,361)	(37,031)	(34,569)	(18,712)	(16,906)
Administrative expenses	(62,225)	(61,171)	(64,058)	(32,049)	(33,465)
Depreciation of property, plant and equipment, impairment loss and amortisation	(16,052)	(5,777)	(1,637)	(739)	(271)
Other operating gains/(losses), net	<u>24,906</u>	<u>8,763</u>	<u>(107,169)</u>	<u>(83,571)</u>	<u>4,156</u>
Loss from operations	(16,129)	(24,991)	(149,800)	(110,917)	(7,849)
Fair value gains on investment properties, net	1,200	5,700	—	—	300
Deficits write-back on revaluation of the Club Land	30,308	—	—	—	—
Finance costs	<u>(3,596)</u>	<u>(2,045)</u>	<u>(1,352)</u>	<u>(594)</u>	<u>(625)</u>
Profit/(Loss) before tax	11,783	(21,336)	(151,152)	(111,511)	(8,174)
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(Loss) for the year/period	<u>11,783</u>	<u>(21,336)</u>	<u>(151,152)</u>	<u>(111,511)</u>	<u>(8,174)</u>
Attributable to:					
Owners of the Company	11,881	(21,280)	(150,663)	(111,060)	(8,548)
Non-controlling interests	(98)	(56)	(489)	(451)	374

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Breakdowns of the Group's segment revenue from external customers and segment profit/(loss) are as follows:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Audited)		(Audited)		(Audited)		(Unaudited)		(Unaudited)	
Segment revenue										
- Fashion Retail										
Segment	68,614	65%	76,433	70%	71,304	75%	31,853	78%	43,867	72%
- Club Segment	6,239	6%	8,612	8%	8,176	9%	3,054	7%	6,323	10%
- Investments Segment	<u>30,124</u>	29%	<u>24,456</u>	22%	<u>14,907</u>	16%	<u>6,059</u>	15%	<u>10,660</u>	18%
	<u>104,977</u>	100%	<u>109,501</u>	100%	<u>94,387</u>	100%	<u>40,966</u>	100%	<u>60,850</u>	100%
Segment profit/(loss)										
- Fashion Retail										
Segment	(36,260)		(22,539)		(18,229)		(12,597)		(2,598)	
- Club Segment	(14,518)		(10,344)		(11,446)		(5,333)		(5,747)	
- Investments Segment	<u>36,933</u>		<u>10,812</u>		<u>(114,952)</u>		<u>(89,496)</u>		<u>2,597</u>	
	<u>(13,845)</u>		<u>(22,071)</u>		<u>(144,627)</u>		<u>(107,426)</u>		<u>(5,748)</u>	

The movements of certain major items of the above from FY2020 to 1H2023 are analysed below.

1.2.1.1 Revenue

In accordance with the audited consolidated financial statements of the Group for FY2022, the Group has three reportable businesses, being the Fashion Retail Segment, the Club Segment and the Investments Segment. Revenue for the Fashion Retail Segment is generated primarily from sales of merchandise at the retail stores and an online platform. Revenue for the Club Segment is generated primarily from membership entrance fees, membership subscription fees, provision of resort and club facilities and other services, and catering services. Revenue for the Investments Segment is primarily generated from the receipt of interest and distributions from the Investment Portfolio. In addition to the segmental revenue, the rental income received from the Investment Properties is accounted for as other income.

For FY2021, the Group recorded a total revenue of approximately HK\$109.5 million, representing an increase of approximately HK\$4.5 million or 4.3% as compared to approximately HK\$105.0 million in FY2020. Such increase in revenue was primarily due to the net effect of (i) increase in revenue generated from the Fashion Retail Segment attributable to an uplift in the second half of FY2021 and significant growth of nearly 43% in online sales; (ii) the increase in revenue generated from the Club Segment mainly due to an increase in regular restaurant dining at the Club's restaurants; and (iii) the decrease in revenue generated from the Investments Segment driven by mixed market sentiment and high volatility during the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For FY2022, the Group recorded a total revenue of approximately HK\$94.4 million, representing a decrease of approximately HK\$15.1 million or 13.8% as compared to FY2021. Such decrease in revenue was mainly a result of (i) the decrease in revenue generated from the Fashion Retail Segment mainly attributable to the reduction in footfall traffic and tourists as a result of the strict social distancing measures implemented by the Hong Kong Government at shopping centres and restaurants, and the stringent quarantine requirements on inbound travellers; (ii) the decrease in revenue attributable to the Club Segment primarily due to the introduction of the vaccine pass system, in response to the fifth wave of the COVID-19 pandemic, whereby unvaccinated individuals were not allowed to dine in restaurants and, in addition, dinner service was barred for 104 days and strict patronage limit to two diners per table, which meant no large events were permitted; and (iii) the decrease in revenue generated from the Investments Segment primarily as a result of lower distributions from private equity funds investments due to the continuous downturn in the global financial markets.

For 1H2023, the Group recorded a total revenue of approximately HK\$60.9 million, representing an increase of approximately HK\$19.9 million or 48.5% as compared to 1H2022. Such increase was primarily due to (i) the increase in revenue generated from the Fashion Retail Segment primarily attributable to the ending of all anti-pandemic measures in early 2023, which enabled the retail sector to gradually return to normality; (ii) the increase in revenue attributable to the Club Segment mainly contributed by the increase in dining patronage, wedding banquet and members' functions, after all anti-pandemic social distancing measures were removed in early 2023; and (iii) the increase in revenue generated by the Investments Segment primarily due to the rebound of the global financial markets in the first half of 2023.

1.2.1.2 Other operating gains/(losses), net

For FY2021, net other operating gains amounted to approximately HK\$8.8 million, as compared to approximately HK\$24.9 million in FY2020, and mainly comprise net realised and unrealised fair value gains of approximately HK\$8.1 million from financial instruments, as compared to approximately HK\$25.0 million in FY2020.

For FY2022, net other operating losses amounted to approximately HK\$107.2 million as compared to net other operating gains of approximately HK\$8.8 million for FY2021, and mainly comprise (i) net realised and unrealised fair value losses of approximately HK\$105.5 million from financial instruments, as compared to net realised and unrealised fair value gains of approximately HK\$8.1 million in FY2021; and (ii) exchange losses in the net amount of HK\$1.5 million, as compared to exchange gain of approximately HK\$0.6 million in FY2021.

For 1H2023, net other operating gains amounted to approximately HK\$4.2 million as compared to net other operating losses of approximately HK\$83.6 million for 1H2022, and mainly comprise net realised and unrealised fair value gains of approximately HK\$3.4 million from financial instruments, as compared to net realised and unrealised fair value losses of approximately HK\$81.9 million in 1H2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2.1.3 Loss from operations

Notwithstanding the slight increase in revenue in FY2021 as compared to FY2020, the Group recorded loss from operations in FY2021 of approximately HK\$25.0 million, representing an increase in loss of approximately HK\$8.9 million or 54.9% as compared to the loss for FY2020. The increase in loss from operations was primarily a result of (i) the gross profit of HK\$68.6 million being insufficient to cover the selling and distribution costs, administrative expenses and depreciation of approximately HK\$37.0 million, HK\$61.2 million and HK\$5.8 million respectively, despite that each of them decreased in FY2021 as compared to FY2020; and (ii) the decrease in other income and other operating gains of approximately HK\$10.4 million and HK\$16.1 million respectively.

In FY2022, the loss from operations increased further to approximately HK\$149.8 million, mainly due to (i) the recognition of significant other net operating losses in the amount of approximately HK\$107.2 million mainly because of the aforesaid net realised and unrealised fair value losses; and (ii) the decrease in gross profit margin from 62.6% in FY2021 to 56.4% in FY2022. The decrease in gross profit margin was mainly a result of (i) the Fashion Retail Segment adopting a different retail strategy of bringing forward sales discount on current season merchandise to boost sales revenue amid the first wave of COVID-19 anti-pandemic “lockdown” measures, and (ii) lower dividend income from the Group’s Investment Portfolio.

The Group recorded loss from operations in 1H2023 of approximately HK\$7.8 million, representing a decrease of approximately HK\$103.1 million or 92.9%, as compared to the loss from operations for 1H2022. The decrease in loss from operations was mainly a result of (i) the reduction in segment loss of the Fashion Retail Segment, mainly due to the increase in revenue as discussed above, the shortening of sale discount period and the cost-cutting measures of the Group; and (ii) the turnaround from segment loss to segment profit for the Investments Segment due to the market rebound as discussed above.

1.2.1.4 Deficits write-back on revaluation of the Club Land

Upon the obtaining of the TPB Rezoning Approval in September 2020, the Company has determined that the highest and best use of the Club Land shall be the proposed redevelopment of the Club Land for residential use (the “**Redevelopment**”) in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”). Accordingly, the Club Land was revalued at HK\$281 million as at 31 December 2020 as assessed by an independent professional valuer using the residual approach, based on the gross development value of the Redevelopment upon completion (using a direct comparison approach) less estimated development costs and allowance for developer’s risk and profit. The FY2020 revaluation of the Club Land gave rise to a deficit write-back on revaluation of the land of approximately HK\$30.3 million for FY2020 charged to profit and loss. No similar deficit write-back occurred in FY2021, FY2022 or 1H2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2.1.5 Profit/(loss) for the year/period attributable to owners of the Company

As shown above, the Group has been experiencing a rough operating environment during FY2020 to 1H2023, going from a profit after tax attributable to Shareholders of approximately \$11.9 million in FY2020 to loss after tax attributable to owners of the Company of approximately HK\$21.3 million, HK\$150.7 million and HK\$8.5 million in FY2021, FY2022 and 1H2023, respectively.

1.2.1.6 Dividend and distribution

The Company did not declare any dividends for any of FY2020, FY2021, FY2022 or 1H2023.

As at the Latest Practicable Date, it has not declared or announced any dividend, distribution or other return of capital which remains unpaid. The Company confirms that it does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before (a) the Effective Date; or (b) the date on which the Proposal lapses (whichever is earlier).

We note that, as at 30 June 2023, the Group had accumulated losses of approximately HK\$1,214.9 million and no distributable reserves are available for distribution to Shareholders. It is uncertain as to whether the Group, in its current state, will be able or how long it will take to recoup such a large amount of accumulated losses. So long as the Group continues to carry accumulated losses and has no distributable reserves available, the Company will be unable to declare and/or pay any dividend or make any distributions unless it undertakes a capital reduction and applies the credit arising therefrom and/or transfer the special reserve to eliminate part or all of its accumulated losses. Such exercises would be subject to, among other things, Shareholders' approval at a general meeting of the Company and the relevant requirements under the Companies Ordinance. Notwithstanding the above, we are given to understand that the Company does not have any plans to announce, declare and/or pay any dividend, distribution or other return of capital in the foreseeable future as the cash and liquid assets of the Group are intended to be reserved for the future use on the Redevelopment and replenish the working capital of the businesses of the Group as and when necessary, as more particularly discussed below in this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2.2 Financial position

Set out below is the summary of the audited financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 as extracted from the annual reports of the Company for FY2021 and FY2022 and the 2023 Interim Results Announcement:

	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Non-current assets				
Property, plant and equipment	288,084	342,224	426,060	380,935
Right-of-use assets	25,651	19,881	18,241	13,425
Investment properties	46,800	52,500	52,500	52,800
Intangible assets	444	396	348	324
Financial assets at fair value through profit or loss	<u>78,522</u>	<u>79,117</u>	<u>59,804</u>	<u>51,360</u>
Total non-current assets	<u>439,501</u>	<u>494,118</u>	<u>556,953</u>	<u>498,844</u>
Current assets				
Inventories	21,844	21,992	22,511	20,975
Trade and other receivables	13,079	14,127	13,023	15,255
Financial assets at fair value through profit or loss	593,481	604,878	457,895	469,041
Pledged bank deposits	10,000	10,000	10,000	10,000
Time deposits	109,026	70,211	89,368	98,101
Cash and bank balances	<u>41,581</u>	<u>40,853</u>	<u>36,161</u>	<u>18,960</u>
Total current assets	<u>789,011</u>	<u>762,061</u>	<u>628,958</u>	<u>632,332</u>
Current liabilities				
Trade and other payables	23,311	19,960	19,535	24,413
Lease liabilities	18,439	14,125	10,583	9,752
Interest-bearing bank borrowings	<u>6,617</u>	<u>7,001</u>	<u>5,882</u>	<u>5,255</u>
Total current liabilities	<u>48,367</u>	<u>41,086</u>	<u>36,000</u>	<u>39,420</u>
Net current assets	<u>740,644</u>	<u>720,975</u>	<u>592,958</u>	<u>592,912</u>
Non-current liabilities				
Lease liabilities	<u>9,573</u>	<u>6,774</u>	<u>7,896</u>	<u>2,973</u>
NET ASSETS	<u><u>1,170,572</u></u>	<u><u>1,208,319</u></u>	<u><u>1,142,015</u></u>	<u><u>1,088,783</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>	As at 31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>	As at 30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>
Capital and reserves				
Issued capital	1,206,706	1,206,706	1,206,706	1,206,706
Accumulated losses	(1,034,385)	(1,055,665)	(1,206,328)	(1,214,876)
Other reserves	<u>998,805</u>	<u>1,057,869</u>	<u>1,142,752</u>	<u>1,097,707</u>
Equity attributable to owners of the Company	1,171,126	1,208,910	1,143,130	1,089,537
Non-controlling interests	<u>(554)</u>	<u>(591)</u>	<u>(1,115)</u>	<u>(754)</u>
TOTAL EQUITY	<u><u>1,170,572</u></u>	<u><u>1,208,319</u></u>	<u><u>1,142,015</u></u>	<u><u>1,088,783</u></u>

1.2.2.1 Assets

Total assets of the Group amounted to approximately HK\$1,228.5 million, HK\$1,256.2 million, HK\$1,185.9 million and HK\$1,131.2 million as at 31 December 2020, 2021, 2022 and 30 June 2023 respectively. Details of the major assets of the Group as at 31 December 2022 and 30 June 2023 are summarised in the table below.

	As at 31 December 2022		As at 30 June 2023	
	<i>HK\$'000</i> <i>(Audited)</i>	%	<i>HK\$'000</i> <i>(Unaudited)</i>	%
Club Land	425,000	36%	380,000	34%
Investment Properties	52,500	4%	52,800	5%
Investment Portfolio	517,699	44%	520,401	46%
Cash, bank balances, pledged bank deposits and time deposits	<u>135,529</u>	11%	<u>127,061</u>	11%
<i>Subtotal</i>	1,130,728	95%	1,080,262	96%
Other assets	<u>55,183</u>	5%	<u>50,914</u>	4%
Total assets	<u><u>1,185,911</u></u>	100%	<u><u>1,131,176</u></u>	100%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2022 and 30 June 2023, the Group's total assets mainly comprised the Club Land, the Investment Properties, the Investment Portfolio, and cash (comprising cash and bank balances, pledged bank deposits and time deposits), in aggregate representing about 95% and 96% of the total assets of the Group, respectively. Other assets mainly comprise (i) right-of-use assets in respect of the retail store leases of the Fashion Retail Segment and the office lease accounted for by the Group in the Investments Segment; (ii) inventories in respect of the Fashion Retail Segment and the Club Segment; and (iii) trade and other receivables of the Group.

As illustrated above, majority of the Group's assets are the Properties, cash and liquid assets, as further discussed below.

Club Land

As mentioned above, the Company had determined the highest and best use of the Club Land to be for the Redevelopment on the basis of the TPB Rezoning Approval. In this light, the Club Land was revalued at HK\$281 million as at 31 December 2020 as assessed by an independent professional valuer. Subsequent to this, revaluations of the Club Land had been conducted at each subsequent period-end and year-end date. The Club Land was revalued at HK\$340 million, HK\$425 million and HK\$380 million as at 31 December 2021, 2022 and 30 June 2023, respectively. Details of the valuation of the Club Land as at 30 June 2023 are set out in the Valuation Report in Appendix II to the Scheme Document.

Investment Properties

The Investment Properties are stated at fair value as assessed by an independent professional valuer at each year-end date using the direct comparison method. As at 31 December 2022 and 30 June 2023, the fair value of the Investment Properties was HK\$52.5 million and HK\$52.8 million, respectively. Details of the valuation of the Investment Properties as at 30 June 2023 are set out in the Valuation Report in Appendix II to the Scheme Document.

Investment Portfolio

The financial assets at fair value through profit or loss of the Group comprising the Investment Portfolio are stated at fair value based on the latest quoted market price, or the latest price quoted by or net asset value provided by the fund administrator and/or financial institution. As at 31 December 2022, the value of the Investment Portfolio was approximately HK\$517.7 million, representing a decrease of approximately HK\$166.3 million from approximately HK\$684.0 million as at the previous year-end date mainly due to (i) the net realised and unrealised fair value losses of approximately HK\$105.5 million; and (ii) the net disposals of approximately HK\$60.4 million during the year. As at 30 June 2023, the value of the Investment Portfolio was approximately HK\$520.4 million, representing a slight increase of approximately HK\$2.7 million as compared to 31 December 2022, mainly as a result of the net realised and unrealised fair value gains of approximately HK\$3.4 million, which was partly set off by the net disposals of approximately HK\$0.7 million during the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2.2.2 Liabilities

Total liabilities of the Group amounted to approximately HK\$57.9 million, HK\$47.9 million, HK\$43.9 million and HK\$42.4 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. As at 31 December 2022, the Group's liabilities were not significant, representing only about 3.8% of its total equity and mainly comprised (i) trade and other payables of approximately HK\$19.5 million; and (ii) lease liabilities in relation to the retail stores of the Fashion Retail Segment and corporate offices of approximately HK\$18.5 million in aggregate, representing about 45% and 42% of the total liabilities of the Group respectively. As at 30 June 2023, the Group's liabilities remained insignificant, representing only about 3.9% of its total equity and mainly comprised (i) trade and other payables of HK\$24.4 million; and (ii) lease liabilities in relation to the retail stores and corporate offices of approximately HK\$12.7 million, representing about 57.5% and 30.0% of the total liabilities of the Group respectively.

1.2.2.3 Net assets value ("NAV")

The NAV of the Group attributable to owners of the Company fluctuated over the last three financial years and the six months ended 30 June 2023, amounting to approximately HK\$1,171.1 million, HK\$1,208.9 million, HK\$1,143.1 million as at 31 December 2020, 2021 and 2022, respectively, and HK\$1,089.5 million as at 30 June 2023 (the "**1H2023 NAV**").

The increase in NAV as at 31 December 2021 of approximately HK\$37.8 million as compared to the NAV as at 31 December 2020 was mainly attributable to the revaluation gain of the Club Land of approximately HK\$59.0 million; which was partially set off by the net loss of the Group attributable to Shareholders of approximately HK\$21.3 million for FY2021. The decrease in NAV as at 31 December 2022 of approximately HK\$65.8 million as compared to the NAV as at 31 December 2021 was mainly attributable to the net loss of the Group attributable to Shareholders of approximately HK\$150.7 million for FY2022, which was partially set off by the revaluation gain of the Club Land of approximately HK\$85.0 million. The decrease in NAV as at 30 June 2023 of approximately HK\$53.6 million as compared to the NAV as at 31 December 2022 was primarily a result of the loss of the Group attributable to Shareholders of approximately HK\$8.5 million for 1H2023 and the revaluation deficit of approximately HK\$45.0 million arising from the valuation of the Club Land as at 30 June 2023 as compared to the net book value of the Club Land as at 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Prospects of the Group

1.3.1 Fashion Retail Segment

The Fashion Retail Segment has not been profitable since 2013. Substantial measures and efforts have been made by the present Directors and the Management to contain the losses of the Fashion Retail Segment from 2016 onwards, including closing uneconomic stores, negotiating more favourable lease terms with landlords and clearing substantial aged inventory. As a result of such efforts, the Fashion Retail Segment was able to deliver a small segment profit of approximately HK\$0.3 million for the six months ended 30 June 2019. However, the social unrest in Hong Kong in the second half of 2019 had adversely impacted the Fashion Retail Segment, resulting in a loss for the year ended 31 December 2019. From January 2020, the Fashion Retail Segment had been materially and adversely impacted by the outbreak of the COVID-19 pandemic and the resultant implementation of anti-pandemic measures in Hong Kong, which had substantially dampened local consumer spending and shopping activities and reduced inbound travellers from the PRC and other countries. All of these contributed to reduced footfall and sales at the Group's retail stores.

As mentioned in the 2023 Interim Results Announcement, there was an improvement in the trading results of the Fashion Retail Segment for 1H2023 as compared with 1H2022 as a result of the relaxation of the anti-pandemic measures in Hong Kong in early 2023. Apparently, the operating environment of the fashion retail market in Hong Kong makes it challenging for SWANK to operate profitably. The Board has stated in its Letter from the Board that it will from time to time conduct assessments and evaluation of its strategy regarding the Fashion Retail Segment and, in the meantime, efforts will continue to be made to reduce the impact of the adverse trading conditions in this segment. Shareholders are referred to the section headed "*If the Scheme is not Approved or the Proposal Lapses*" in the Letter from the Board for further information of the Company's outlook of this segment.

We wish to put the Group's Fashion Retail Segment against the backdrop of the entire retail market in Hong Kong as below. The statistics on the value of retail sales for all retail outlets and the value of retail sales of wearing apparel in Hong Kong for the years and period indicated are as follows:

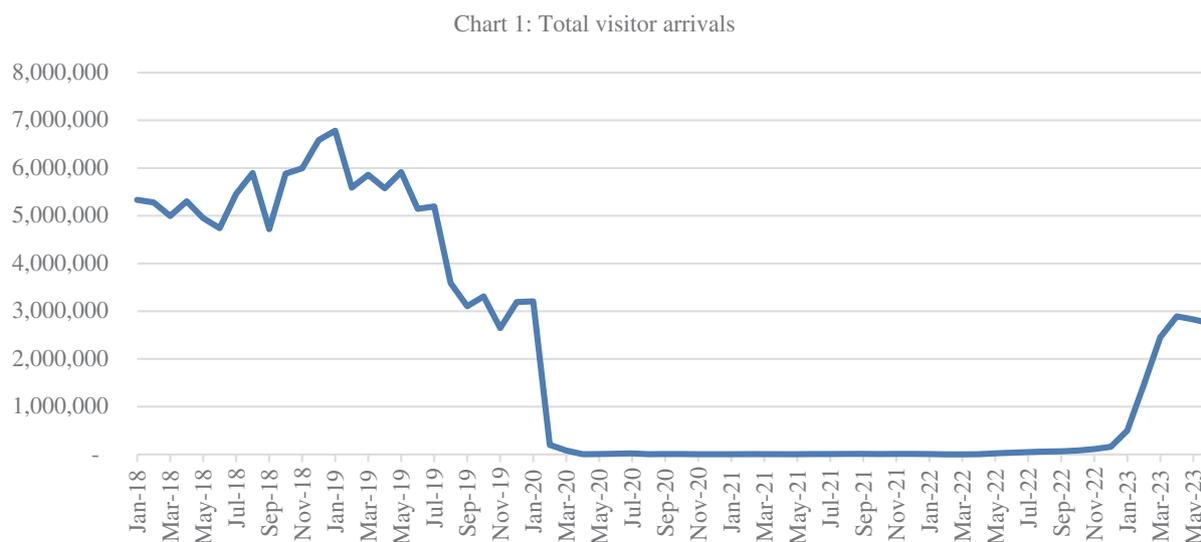
	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023
	<i>HK\$' millions</i>	<i>HK\$' millions</i>	<i>HK\$' millions</i>	<i>HK\$' millions</i>	<i>HK\$' millions</i>	<i>HK\$' millions</i>
Value of retail sales in Hong Kong						
- All retail outlets	485,169	431,160	326,451	352,948	349,964	205,078
- Wearing apparel	52,886	45,165	26,511	32,501	29,574	22,200

Source: Census and Statistics Department

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, retail sales in Hong Kong for the six months ended 30 June 2023 have shown an improvement (on an annualised basis) as compared to FY2020, FY2021 and FY2022, being the years affected by the COVID-19 pandemic. However, it has not yet fully recovered to the pre-pandemic levels seen in FY2018 and FY2019.

The target customers of Fashion Retail Segment of the Group is high-end consumers for luxury fashion wear, covering both local customers as well as visiting shoppers. The in-bound visitors to Hong Kong have suffered substantial decline since mid-2019, and with a big fall during the first quarter of 2020 until it gradually picked up after January 2023. The chart below sets out the monthly visitor arrivals in Hong Kong from January 2018 to June 2023.



Source: Hong Kong Tourism Board

As illustrated in Chart 1 above, despite that visitor arrivals to Hong Kong have begun recovering since January 2023 after the reopening of the border and the easing of anti-pandemic measures, its growth momentum stalled in May and June 2023 and remained at only about half of the pre-pandemic levels seen in 2018 and 2019.

In light of the above, the Management have been cautious when considering renewal of the existing retail store leases upon expiry. As mentioned above, the Paule Ka mono-brand boutique has been closed upon expiry of the lease in July 2023 due to non-renewal by the landlord for its refurbishment plan of the entire shopping podium, and the brand has been incorporated into certain SWANK stores of the Group. The leases of the three other retail stores are set to expire in 2023 and 2024. Subject to the review of the profitability and strategy of each store nearer to their respective lease expiry dates, we are given to understand that the Management will, as and when necessary, recommend to the Board appropriate actions to take as to whether or not to renew such leases, or search for alternative store locations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3.2 Club Segment

There are two aspects to analyse the current activities of the Club Segment of the Group: one being the operation of the resort and recreational facilities of the Club, and the other being the preparatory Land Exchange process work being undertaken towards confirmation and execution of the necessary Land Exchange for the Redevelopment.

The Club operations has not been profitable in each year since 2011 with overall revenue generated on a generally decreasing trend. The Club Segment was also adversely affected during the COVID-19 pandemic as a result of the social distancing measures and dining restrictions put in place by the Hong Kong Government.

As mentioned above, consequent upon, among other things, the Board's review of the increasingly competitive and challenging market conditions faced by the Club Segment and in view of the economic environment and surging housing demand in Hong Kong, in January 2018 and under the direction of the Board, the Company submitted the Rezoning Application. We are given to understand that, in order to pursue the Rezoning and Redevelopment, the Company has decided to (i) no longer accept permanent members but, instead, recruit short-term members in order to mitigate the legal, social and other potential risks of taking on new permanent members, in the event that the membership of newly joined permanent members shall be affected if and when the Redevelopment shall commence; and (ii) avoid incurring major capital expenditures while maximising the profitability of its existing facilities. The Board is of the view that the operation of the Club hinges on the progress of the Land Exchange, therefore it will evaluate periodically when it believes will be the optimal time for the closure of the Club Segment, with the aim of providing both Club members and staff with as much advance notice as possible. It is also the Board's view that the future value of the Club lies with the Redevelopment of the Club Land, however, such Redevelopment would carry with its development risks as explained in the section headed "*The Hill Top Club and the Hill Top Road Land*" in the Letter from the Board. In the meantime, the Group will ensure ongoing maintenance and upkeep of the Club Land as required under the current land grant and for prudent management, up to the time when the Land Exchange is completed.

In respect of the potential Redevelopment, as mentioned above, the Group obtained the TPB Rezoning Approval in September 2020 and the CE Rezoning Approval in February 2022. However, we understand from the Board and the Management that there are still several hurdles to completing the Land Exchange (including the resolution of a number of technical matters raised by various governmental departments due to the unique location of the site and the negotiation and payment of the change of land use premium to be charged (the "**Land Premium**"). Based on the current expected timetable, the estimated time for completion of the Land Exchange is around the first quarter of 2026. Set out below is the current expected timetable for the Land Exchange process, as summarised from the subsection headed "*The Hill Top Club and the Hill Top Road Land*" in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Milestone	Estimated timeline
Resolution of the comments and enquiries from the Lands Department	November 2023
Land Exchange application to be submitted to and considered at the District Lands Conference	December 2023
Lands Department to issue the provisional basic terms of offer (excluding the Land Premium amount) (the “PBTO”) (Note 1)	January 2024
Completion of the gazette of the road widening work of Hilltop Road (Note 2)	August 2025
Land Premium assessment by the Lands Department	From September to October 2025
Lands Department to issue the formal basic terms of offer (including the Land Premium amount) (the “FBTO”) (Notes 1 & 3)	November 2025
Execution of the Land Exchange documents (Notes 3 & 4)	First quarter of 2026

1. *Subject to the Company having confirmed its acceptance of the PBTO and FBTO, as the case may be, by the date specified therein.*
2. *Assuming the Lands Department determines that road widening work of Hilltop Road is required to be gazetted.*
3. *If the Company makes any appeal on the Land Premium amount, the Lands Department will take approximately 6 months to process each appeal and the Land Exchange process time will be affected as a result.*
4. *Assuming no appeal is lodged by the Company on the Land Premium amount offered by the Lands Department in the FBTO.*

As discussed in the subsection headed “*If the Scheme is not approved or the Proposal lapses*” in the Letter from the Board, given the TPB Rezoning Approval, the Board is confident that the Land Exchange will ultimately be completed, as well as the negotiation with the relevant authority on the amount of the Land Premium. As set out in the Valuation Report, the estimated redevelopment cost, including demolition and construction cost, professional fees, assumed Land Premium and other relevant costs is approximately HK\$6,078 million (the “**Estimated Redevelopment Cost**”) which has been estimated by the Valuer based on the Redevelopment plan provided by the Company and the expected completion of the Redevelopment in 2029. As set out in the Letter from the Board, the Group has (i) cash and liquid assets of approximately HK\$593.4 million (being the cash, bank balances, pledged bank deposits, time deposits and the current financial assets at fair value through profit and loss); and (ii) non-current financial assets at fair value through profit or loss in the form of private equity investments of HK\$59.8 million, as at 31 December 2022. Such sums, in the aggregate amount of approximately HK\$653.2 million, is likely to be insufficient to pay the anticipated Land Premium and it is likely that the Group will need to raise and/or finance the remaining amount of the Estimated Redevelopment Cost (including the Land Premium or such outstanding amount thereof). We note that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Board has familiarised itself with the potential options available to the Company, including third party financing and joint venture arrangement. At least two Directors have land development experience. The Board believes that, with the Company's available resources, it will likely be able to recruit new talent with the relevant experience if it were to embark on any land development business. Given the financial standing of the Group, we also believe the Company would not have too much difficulty to draw appropriate and sufficient talent pool for the Redevelopment as it shall see fit. However, Shareholders' attention is drawn to the fact that, as at Latest Practicable Date, there is no assurance that any of the potential options for funding payment of the anticipated Land Premium will be implemented or eventuate and no concrete decisions have been taken by the Board concerning such options. The Board will conduct in-depth feasibility study of the potential options and make such evaluation and determination at an appropriate time after considering all relevant factors and circumstances. In light of the above and given the necessary due regulatory process ahead as noted above, there is uncertainty surrounding the timing and execution of the Land Exchange and the Redevelopment.

1.3.3 Investments Segment

The return on the Investment Portfolio varies from year to year based on a number of factors including, but not limited to, its constituent investments and the prevailing sentiment of the investments market. As set out in the annual report of the Company for FY2022, the Investment Portfolio of the Group is held primarily for trading of investments for short term and long term investment returns and the Investment Properties are held primarily for rental income and capital appreciation. As at the Latest Practicable Date, the Group does not have any plans to dispose of the Investment Properties or materially change the constituent investments of the Investment Portfolio in the foreseeable future, save as advised by its investment professionals based on the prevailing market conditions. We understand from the Board and the Management that the Investment Portfolio is intended to be reserved for the future use on the Redevelopment and replenish the working capital of the businesses of the Group as and when necessary.

1.3.4 Overall prospects

Having considered (i) the consistent loss-making of the Group's Fashion Retail Segment and Club Segment over the past decade; (ii) the forward looking views of the Board and the Management that they do not expect the business to make a profit, if any, in the foreseeable future and that, as set out in the Letter from the Board, the Board is still determining the best way forward for the Fashion Retail Segment; and (iii) the Board shall evaluate periodically when it believes will be the optimal time for the closure of the Club Segment, we consider that the outlook and prospects of the Fashion Retail Segment and Club Segment to be limited. We concur with the Board's view that the future value of the Club Segment lies with the Redevelopment. However, as discussed above, we consider there are much uncertainties surrounding the timing and execution of the Redevelopment, and the future conditions of the real estate market, the possible effects of which on the overall future value of the Group cannot be ascertained now with certainty.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Valuations

The Valuer has prepared the Valuation Report in respect of (i) the Club Land (the “**Club Land Valuation**”); and (ii) the Investment Properties (the “**Investment Properties Valuation**” together with the Club Land Valuation, the “**Valuations**”) as at the Valuation Date. Please refer to the Valuation Report set out in Appendix II to the Scheme Document for full details of the Valuations.

We have reviewed the terms of engagement of the Valuer and consider that its scope of work is appropriate for preparing the Valuation Report and we are not aware of any limitation on the scope of work which might adversely affect the degree of assurance given by the Valuation Report. We have enquired into the qualification, experience and independence of the Valuer in relation to the preparation of the Valuation Report and noted that (i) the Valuer is a professional property appraisal firm with over 50 years of experience in appraising various kinds of property assets in Hong Kong, Greater China and overseas, whose clients include, among others, banks, developers, government and quasi-government bodies, law firms, accountancy firms and publicly-listed companies; (ii) Mr. Cyrus Fong (being the co-signor of the Valuation Report) is a fellow member and registered valuer of the Royal Institution of Chartered Surveyors, a fellow of The Hong Kong Institute of Surveyors, and a Registered Professional Surveyor (General Practice) in Hong Kong who has about 15 years of experience in the valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong and the Asia Pacific region for various valuation purposes; and (iii) Ms. Jennifer Ip (being the co-signor of the Valuation Report) is a member and registered valuer of the Royal Institution of Chartered Surveyors who has about 15 years of experience in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region and North America. The Valuer has confirmed that it is independent from the Group, the Offeror and the Offeror Concert Parties. Based on the above, we are satisfied with the expertise and independence of the Valuer.

We have enquired into the due diligence and independent procedures taken by the Independent Valuer in the Valuations. As advised by the Valuer, the Valuation Report has been prepared in compliance with “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors; “RICS Valuation — Global Standards” issued by the Royal Institution of Chartered Surveyors; Chapter 5 of the Listing Rules; and Rule 11 of the Takeovers Code, where applicable. We also understand from the Valuer that it had performed necessary procedures for the purpose of the Valuations, which included, among others, (i) discussion with the Management and obtained relevant information in respect of the Club Land and the Investment Properties; (ii) examined the relevant basis and assumptions of the information in respect of the Redevelopment plan provided by the Management; (iii) conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; (iv) conducted site inspections at each of the Properties; and (v) arriving at the opinion of value in respect of the Club Land and the Investment Properties based on the assumptions stated in the report and on information provided by the Management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The value of the Club Land as valued by the Valuer as at the Valuation Date was HK\$380 million. We have reviewed the Club Land Valuation and have discussed with the Valuer on (i) bases and assumptions used; (ii) valuation methodology adopted; and (iii) due diligence work performed. We note that the Valuer has determined the fair value of the Club Land assuming that it will be developed and completed in accordance with the latest development proposal provided by the Company, and based on market approach by making reference to comparable sales evidence as available in the relevant market (the “**Valuation Comparables**”) in arriving at the estimated capital value of the Property of HK\$8,714 million (the “**Estimated Capital Value**”) and having taken into account (a) the Estimated Redevelopment Costs (including estimated Land Premium, demolition and construction costs, professional fees) of approximately HK\$6,078 million; (b) the marketing fees to be incurred at 3% on the Estimated Capital Value; (c) anticipated developer’s profit margins of 15% on the Estimated Redevelopment Cost and the land cost of the Club Land, being the fair value of the Club Land of HK\$380 million; and (d) the discount rate of 4.25% for the calculation of present values based on the latest estimated timetable and expected completion of the Redevelopment in 2029 ((a) to (d) collectively, the “**Estimated Costs**”). We have discussed with the Valuer on the reasons and bases and assumptions for the approach adopted as set out above and we concur that it is an appropriate approach to take in valuing development sites held for redevelopment. We have discussed with the Valuer its overall approach to the Club Land Valuation (including the Estimated Capital Value and Estimated Costs) with adjustments in respect of age, location, size, view and other factors for the Valuation Comparables. We understand that the approach set out above is the same approach adopted by the independent valuer in respect of the valuation of the Club Land as at 31 December 2022 as set out in the annual report of the Company for FY2022. We consider that the valuation approach and the bases and assumptions adopted by the Valuer in valuing the Club Land (including the Estimate Capital Value and Estimated Costs) are reasonable. We have also enquired with the Valuer on cross-checking the Club Land Valuation using other methodologies. We are advised by the Valuer that there is no direct comparable land transactions with similar site area within the same district, accordingly, there is no other valuation methodology for the Club Land Valuation for cross-checking purpose. Nothing has come to our attention from the public domain contradictory to the aforesaid advice given to us by the Valuer.

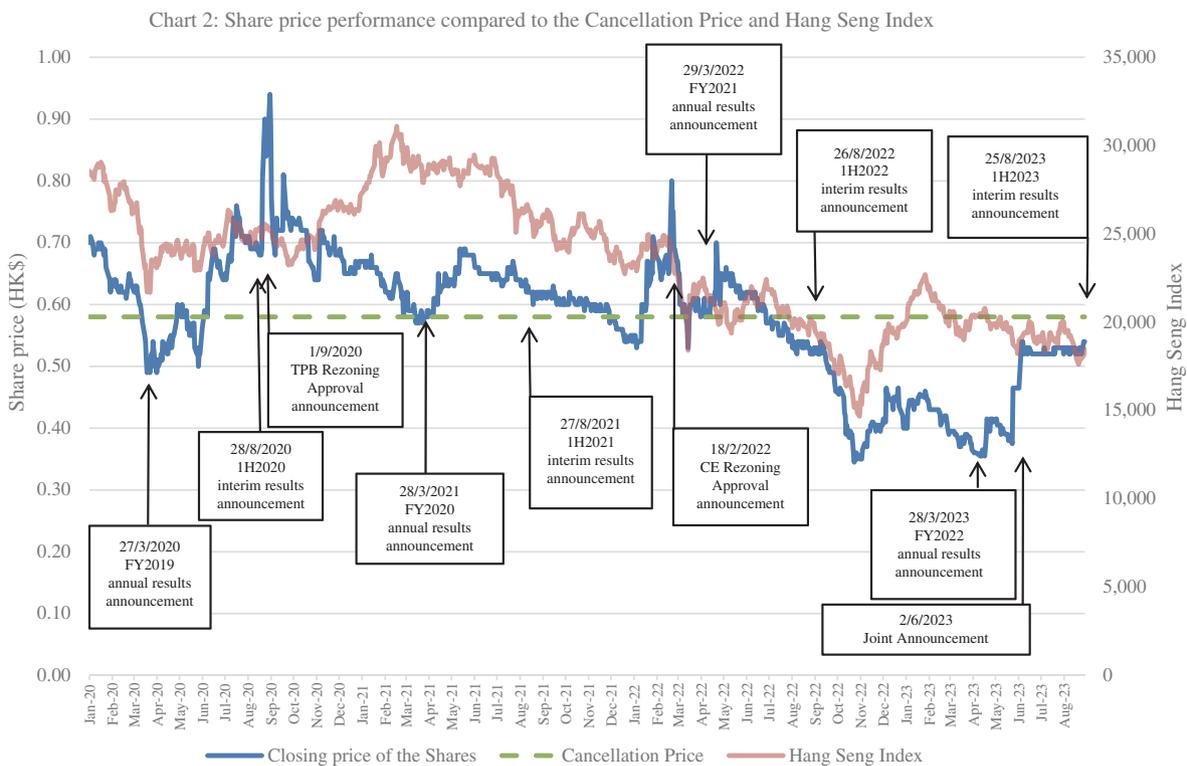
The value of the Investment Properties as valued by the Valuer as at the Valuation Date was HK\$52.8 million. We have reviewed the Investment Properties Valuation and have discussed with the Valuer on (i) bases and assumptions used; (ii) valuation methodology adopted; and (iii) due diligence work performed. We note that the Valuer has determined the fair value of the Investment Properties based on the direct comparison method on the basis of a collation and analysis of appropriate comparable transactions. We understand from the Valuer that the direct comparison method is the most appropriate approach to value completed properties with sufficient comparable sales evidence. The Valuer has made appropriate adjustments to reflect the differences between the Investment Properties and the selected comparable properties, including adjustments in respect of age, location, size and other factors considered by the Valuer to be material. We have discussed with the Valuer its overall approach to the Investment Properties Valuation and the selection of the valuation methodology for the Investment Properties. We consider that the valuation approach and the bases and assumptions adopted by the Valuer in valuing the Investment Properties are reasonable. We have also enquired with the Valuer on cross-checking the Investment Properties Valuation using other approaches. The Valuer advised that it did not consider other approaches because the direct comparison method is the most appropriate approach with sufficient comparable sales evidence, which view we are in concurrence with.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Analysis of the Cancellation Price

3.1 Historical price performance of the Shares

The chart below illustrates the daily closing price per Share from 1 January 2020 up to and including the Latest Practicable Date (the “Share Review Period”) and compares the Share price performance with the Cancellation Price of HK\$0.58 per Scheme Share and the Hang Seng Index (the “HSI”). We consider that the Share Review Period to be appropriate and sufficient to demonstrate the price performance of the Shares for the purpose of our analysis, as it covers a sufficiently long period of more than three years reflecting the financial results and the TPB Rezoning Approval and CE Rezoning Approval announced by the Company as well as smoothing out the distortions which may have been caused by short term volatility in the overall stock market.



Source: Bloomberg

As illustrated in Chart 2 above, the closing Share price fluctuated in the range of HK\$0.49 and HK\$0.76 per Share during the period from 2 January 2020, being the first trading day in the Share Review Period, to 20 August 2020, and generally remained in line with the movement of the HSI. The closing Share prices subsequently surged to HK\$0.90 per Share on 24 August 2020 and then to HK\$0.94 per Share on 31 August 2020, which was the highest closing Share price recorded during the Share Review Period. On 1 September 2021, the Company announced the TPB Rezoning Approval. The Share price subsequently stayed on a decreasing trend and closed at HK\$0.57 per Share on 15 March 2021, in contrast to the increasing HSI during the same period for which we are not aware of the reason. Subsequently, there was a short rally in the Share price to HK\$0.69 per Share at closing on 20 May 2021, but then decreased in line with HSI to HK\$0.53 per Share at closing on 5 January

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2022. From there, the closing Share price fluctuated in the range of HK\$0.54 and HK\$0.69 per Share during the period from 6 January 2021 and 19 July 2021. Subsequently, the Share price showed a general downward trend, reaching a low point of HK\$0.53 per Share on 5 January 2022. The closing price trended upward from 6 January 2022 until 18 February 2022, closing at HK\$0.67 per Share.

On 18 February 2022, the Company published the announcement in respect of the CE Rezoning Approval (the “**CE Rezoning Announcement**”). The closing Share price subsequently surged by about 19% to HK\$0.80 per Share, on 21 February 2022, being the first trading day immediately after the publication of the CE Rezoning Announcement, suggesting that the surge in closing Share price was driven by the publication of said announcement. The upward momentum was short, however, and the Share price decreased slightly to HK\$0.75 per Share as at closing on 22 and 23 February 2022, and subsequently returned to fluctuating between HK\$0.53 and HK\$0.70 per Share from 24 February to 5 July 2022. Since then, the Share price has been on a general downward trend, following the trend of the HSI, and all trading dates saw a closing Share price below the Cancellation Price of HK\$0.58 per Scheme Share. On 24 October 2022, the Shares recorded the lowest closing price during the Share Review Period of HK\$0.345 per Share. As illustrated in Chart 2 above, the HSI also recorded the lowest closing position during the Share Review Period around this time.

From 25 October 2022 to 2 June 2023, the closing Share price fluctuated between HK\$0.35 and HK\$0.465 per Share, generally in line with the movement of the HSI. On 2 June 2023, the Joint Announcement was published. The closing Share price increased by about 14% to HK\$0.53 per Share on 5 June 2023, being the first trading day immediately after the publication of the Joint Announcement. Since then, the closing Share price has fluctuated between HK\$0.52 and HK\$0.54 per Share and closed at HK\$0.54 as at the Latest Practicable Date.

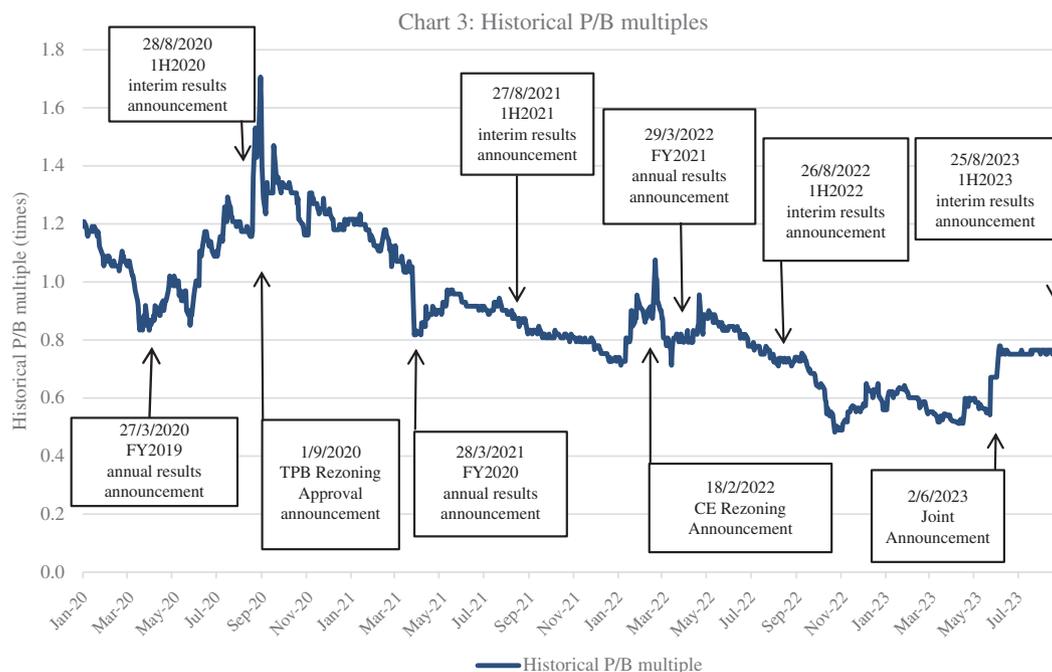
In our opinion, the increase in the closing price of the Shares following the publication of the Joint Announcement was likely associated with the market response to the Proposal. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Proposal lapses or does not become unconditional for any reason.

As illustrated above, the movements in the closing Share prices during the Share Review Period was generally in line with the overall market sentiment as benchmarked by the HSI, and the significant increases in Share prices have occurred near to such dates on which the Company had published announcements in respect of the TPB Rezoning Approval and the CE Rezoning Approval, not to mention the publication of the Joint Announcement. In comparison, we note that the Share prices did not register as much change upon the publication of the Company’s various interim and annual results during the Share Review Period, which suggests that the market may not be as sensitive to the performance and results of the Group’s businesses, instead more significance is attributed to the progress of the Rezoning and the potential Redevelopment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 Historical P/B multiples of the Shares

The chart below illustrates the price-to-book (“P/B”) multiples based on the closing Share prices and the latest published NAV of the Group attributable to Shareholders during the Share Review Period.



Source: Bloomberg

For the period from 2 January 2020, being the first trading day in the Share Review Period, up to and including 26 March 2021, being the last trading day prior to the publication of the FY2020 annual results announcement, the Shares of the Group have recorded P/B multiples ranging from about 0.833 times to 1.706 times. The movement of the P/B multiples during this period reflects the movement in closing Share prices.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 28 March 2021, the Company published its annual results announcement for FY2020. Prior to the FY2020 annual results announcement, the Group had stated the value of the Club Land based on its highest and best use being for the operation of the Club. In light of the grant of the TPB Rezoning Approval in September 2020, the Board considered that the highest and best use of the Club Land was for the purposes of the Redevelopment. As a result of the above, the Club Land was revalued as at 31 December 2020 on the basis of the Redevelopment and recorded a revaluation gain of approximately HK\$216 million, which was the main contributor of the increase in the NAV of the Group of approximately HK\$201 million as compared to the previous year-end date. Given the aforesaid change in the highest and best use of the Club Land as at 31 December 2020 and which the Company has continued to apply since then and up to the Latest Practicable Date, we consider that the period from 28 March 2021 and up to the Latest Practicable Date (the “**P/B Review Period**”) to be more appropriate for the purpose of our analysis, as it covers a sufficiently long period of more than two years reflecting the financial results announced by the Company from time to time (particularly the obtaining of the TPB Rezoning Approval and the change in the highest and best use of the Club Land), as well as smoothing out the distortions which may have been caused by short term volatility in the overall stock market.

As illustrated in Chart 3 above, save for a period of three trading days from 21 to 23 February 2022 (both dates inclusive), the Shares have consistently been traded at a discount to the Group’s NAV per Share during the P/B Review Period. The closing prices of the Shares traded at P/B multiples ranging from approximately 0.482 times to 1.076 times with an average of about 0.753 times during the P/B Review Period, i.e. the Shares were trading at an average discount of about 24.7% to the NAV per Share of the Group during this period. Included in the aforesaid range of P/B multiples from 0.482 times to 1.076 times were three trading days from 21 to 23 February 2022, on which the Shares recorded P/B multiples of 1.076 times, 1.009 times and 1.009 times respectively. As mentioned above, the aforesaid three days were the three trading days immediately following the release of the CE Rezoning Announcement. The Share Prices had subsequently subdued after the three days. Thereafter, during the 12 months immediately prior to the Last Trading Date, the Shares traded at historical P/B multiples ranging from approximately 0.482 times to 0.847 times with an average of about 0.639 times, i.e. the Shares were trading at the average discount of about 36.1% to the NAV per Share of the Group during this period. The increase in the Group’s P/B multiples after the Last Trading Date is largely due to the surge in the closing Share price on 5 June 2023 and the publication of the Joint Announcement, as discussed above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.3 Trading liquidity of the Shares

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of the Company during the Share Review Period.

	Number of trading days in the relevant month/period	Total trading volume for the month/period <i>(Note 1)</i>	Average daily trading volume for the month/period <i>(Note 2)</i>	Percentage of average daily trading volume to the total issued Shares as at the end of each month/period <i>(Note 3)</i>	Percentage of average daily trading volume to the total number of Shares held by public Shareholders as at the end of each month/period <i>(Note 4)</i>
2020					
January	20	28,485,000	1,424,250	0.09%	0.15%
February	20	30,347,992	1,517,400	0.09%	0.16%
March	22	37,348,120	1,697,642	0.10%	0.18%
April	19	21,719,714	1,143,143	0.07%	0.12%
May	20	57,830,000	2,891,500	0.18%	0.31%
June	21	66,408,000	3,162,286	0.19%	0.34%
July	22	61,760,231	2,807,283	0.17%	0.31%
August	21	104,685,000	4,985,000	0.30%	0.54%
September	22	127,792,000	5,808,727	0.35%	0.63%
October	18	44,892,000	2,494,000	0.15%	0.27%
November	21	31,776,000	1,513,143	0.09%	0.16%
December	22	18,734,000	851,545	0.05%	0.09%
2021					
January	20	21,720,000	1,086,000	0.07%	0.12%
February	18	53,503,000	2,972,389	0.18%	0.32%
March	23	41,380,000	1,799,130	0.11%	0.20%
April	19	39,808,000	2,095,158	0.13%	0.23%
May	20	32,284,000	1,614,200	0.10%	0.18%
June	21	11,180,000	532,381	0.03%	0.06%
July	21	15,912,400	757,733	0.05%	0.08%
August	22	15,388,045	699,457	0.04%	0.08%
September	21	16,971,708	808,177	0.05%	0.09%
October	18	10,700,000	594,444	0.04%	0.06%
November	22	8,604,000	391,091	0.02%	0.04%
December	22	16,986,000	772,091	0.05%	0.08%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Number of trading days in the relevant month/period	Total trading volume for the month/period <i>(Note 1)</i>	Average daily trading volume for the month/period <i>(Note 2)</i>	Percentage of average daily trading volume to the total number of Shares held by public Shareholders as at the end of each month/period <i>(Note 3)</i>	Percentage of average daily trading volume to the total issued Shares as at the end of each month/period <i>(Note 4)</i>
2022					
January	21	80,348,000	3,826,095	0.23%	0.42%
February	17	81,176,000	4,775,059	0.29%	0.52%
March	23	30,724,888	1,335,865	0.08%	0.15%
April	18	57,492,000	3,194,000	0.19%	0.35%
May	20	18,523,500	926,175	0.06%	0.10%
June	21	17,298,000	823,714	0.05%	0.09%
July	20	5,420,241	271,012	0.02%	0.03%
August	23	8,384,000	364,522	0.02%	0.04%
September	21	7,772,000	370,095	0.02%	0.04%
October	20	11,028,000	551,400	0.03%	0.06%
November	22	3,980,000	180,909	0.01%	0.02%
December	20	12,815,455	640,773	0.04%	0.07%
2023					
January	18	2,688,000	149,333	0.01%	0.02%
February	20	11,128,000	556,400	0.03%	0.06%
March	23	4,711,000	204,826	0.01%	0.02%
April	17	12,108,000	712,235	0.04%	0.08%
May	18	12,888,400	716,022	0.04%	0.08%
June	19	94,602,000	4,979,053	0.30%	0.54%
July	20	12,096,000	604,800	0.04%	0.07%
August (up to the Latest Practicable Date)	21	25,584,000	1,218,286	0.07%	0.13%
Average				0.10%	0.18%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Total trading volume is expressed in terms of number of Shares traded.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period excluding any trading days on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
3. Based on 1,650,658,676 Shares in issue as at the end of each month/period or at the Latest Practicable Date.
4. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and Offeror Concert Parties as at the Latest Practicable Date.
5. Source: Bloomberg.

As shown in the table above, before the publication of the Joint Announcement, trading volume of the Shares was generally low, with the average daily trading volume of the Shares as a proportion of the total issued share capital of the Company ranging from approximately 0.01% to 0.35%, and the average daily trading volume of the Shares as a proportion of the public float of the Company ranging from approximately 0.02% to 0.63%. We are of the view that the liquidity of the Shares during the during the Share Review Period had been thin.

Trading in the Shares was suspended from 29 May to 2 June 2023 (both dates inclusive) pending the publication of the Joint Announcement. After the publication of the Joint Announcement on 2 June 2023 and the resumption of trading in the Shares on 5 June 2023, the trading of the Shares became more active but, in our view, still relatively thin. The average daily trading volume of the Shares in June 2023 increased to approximately 0.30% of the total issued share capital and 0.54% of the public float of the Company. In our opinion, such increase in the trading volume of the Shares following the publication of the Joint Announcement was likely associated with the market response to the Proposal. Despite the increase in trading volume in June 2023, the liquidity of the Shares remained thin. Since 3 July 2023 and up to the Latest Practicable Date, the liquidity of the Shares has decreased to levels similar to those for the first four months in 2023 immediately prior to the Joint Announcement, with the average daily trading volume in July and August 2023 (up to the Latest Practicable Date) representing approximately 0.04% and 0.07% of the total issued share capital, and 0.07% and 0.13% of the public float of the Company, respectively. There is no assurance that the trading volume of the Shares will remain at the current level or increase if the Proposal lapses or does not become unconditional for any reason.

Given the historical thin liquidity of the Shares as analysed above, the Scheme Shareholders, especially those with significant stakes, should note that if they wish to realize their investments in the Company they might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.4 Cancellation Price comparison

The Cancellation Price of HK\$0.58 per Scheme Share represents:

- (a) a premium of approximately 24.7% over the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 54.7% over the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Full Trading Date;
- (c) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 47.2% over the average closing price of approximately HK\$0.394 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 49.5% over the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 43.9% over the average closing price of approximately HK\$0.403 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 41.5% over the average closing price of approximately HK\$0.410 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 7.4% over the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (j) a discount of approximately 16.2% to the audited consolidated NAV attributable to the owners of the Company per Share of approximately HK\$0.692 as at 31 December 2022; and
- (k) a discount of approximately 12.1% to the unaudited consolidated NAV attributable to the owners of the Company per Share of approximately HK\$0.660 as at 30 June 2023.

As illustrated above, the Cancellation Price represents premiums in the range of approximately 24.7% to 49.5% over the closing Share prices for different periods up to and including the Last Trading Date. As the closing Share price surged on the Last Trading Date, we note that the Cancellation Price represents premium in the range of approximately 41.6% to 54.7% over the closing Share prices for different periods up to and including the Last Full Trading Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the subsection headed “*1.2.2 Financial position*” above in this letter, as at 31 December 2022 and 30 June 2023, the current portion of the financial assets at fair value through profit and loss and cash (comprising cash and bank balances, pledged bank deposits and time deposits), represented about 50.0% and 52.7% of the total assets of the Group respectively. Given that financial assets and cash of the Group comprise about half of its total assets, we had considered comparing the Group’s NAV per Share with the Cancellation Price on an “ex-cash” basis. In light of the magnitude of the cash and liquid assets as mentioned above and the discount to NAV per Share (which had already reflected the fair value of the Properties as at the Valuation Date) represented by the Cancellation Price, we have discussed with the Company whether they would have any intention to liquidate the Group’s assets as an option to maximise Shareholders’ value. The Company advised us that it has no intention to liquidate its assets in the foreseeable future, nor does it have any plan to distribute to the Shareholders its cash or financial assets. We understand from the Board and the Management that the cash and financial assets are not held as idle cash/assets, but they are intended to be held for the purposes of (i) financing a part of the anticipated payment of the Land Premium and/or the costs in respect of the eventual Redevelopment; and (ii) replenishing the working capital of the Group’s businesses as and when necessary. Given the aforesaid, we consider it more appropriate to evaluate the Group on a going concern basis, rather than on an “ex-cash” basis. We therefore opt to make direct comparison of the Cancellation Price to the Group’s NAV per Share as further discussed below.

The Cancellation Price represents a discount of approximately 12.1% to the 1H2023 NAV per Share. We note that approximately 44.1% of the consolidated total assets of the Group as at 30 June 2023 were non-current assets, which mainly consisted of property, plant and equipment (including the Club Land), the Investment Properties and right-of-use assets for the Group’s operations, which are not readily realisable into cash in a short period of time, for example, within six months. In this connection, it is our view that the market may not regard the Group’s NAV per Share as the “immediate cash-in” value of the Shares as if the Group’s assets could be liquidated within a short period of time in a non-distressed state and with willing buyers for the stated book values of all the assets. We are of the view that more weight should be placed on the comparison of the Cancellation Price with the historical and prevailing Share price, including in the context of P/B multiples, in the assessment of its fairness and reasonableness, as the trading prices of the Shares are transacted in the open market. In this light and as illustrated in Chart 3 in the subsection headed “*3.2 Historical P/B multiples of the Shares*” above in this section, we note that the discount of approximately 12.1% to the 1H2023 NAV per Share as represented by the Cancellation Price is lower than the average discounts to the NAV per Share of the Group of 24.7% and 36.1%, at which the Shares were traded during the P/B Review Period and the 12 months immediately prior to the Last Trading Date, respectively.

On the basis set out above, taking into account the historical trading prices and volume and P/B multiples of the Shares as compared to the Cancellation Price, we consider the Cancellation Price to be fair and reasonable.

4. Sum-of-the-parts analysis of the Group

Since the Group operates three independent business segments in different industries and each business segment contributes to the results and financial position of the Group differently, we have also adopted the sum-of-the-parts approach in analysing the value of the Group per Share for comparison with the Cancellation Price, which is commonly adopted for companies operating several different industries and business segments. Pursuant to such approach, we have analysed each business segment and their major assets separately, which are then aggregated to arrive at the implied value of the Group. Details of our analysis of each business segment is set out below.

4.1 Fashion Retail Segment

4.1.1 Approach and selection basis

In order to analyse the Fashion Retail Segment of the Group, we have compared the business to comparables companies engaged in similar business (the “**Fashion Retail Comparables**”).

We have selected the Fashion Retail Comparables based on companies which are listed on the Main Board of the Stock Exchange that are principally engaged in retail of fashion wear and accessories, with (i) at least 50% of their total revenue in the last full financial year being generated from the retail of fashion wear and accessories; and (ii) positive audited NAV as at the year-end date of their last full financial year.

4.1.2 Selection of multiple

For the selection of the valuation multiples, we have considered the P/B multiples of the Fashion Retail Comparables based on the financial information as disclosed in their latest published annual results announcement or annual report. We did not consider using the price-to-earnings (“**P/E**”) or price-to-sales (“**P/S**”) multiples as a benchmark because (i) the Fashion Retail Segment has been continually loss-making since 2013 making the P/E multiple inappropriate; and (ii) the revenue attributable to the Fashion Retail Segment has been on a decreasing trend for the last decade, which would affect the reliability of using the historical revenue as a reference and thereby making the P/S multiple inappropriate. Given the above, we consider the primary value of the Fashion Retail Segment arises from its NAV and, as such, the P/B multiple is the most appropriate metric for comparison purposes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.1.3 Comparable companies

We have identified eight Fashion Retail Comparables, which is exhaustive based on the selection basis as discussed above. Details of the Fashion Retail Comparables are set out in the following table.

Stock Code	Company Name	Principal business	Market capitalisation <i>(HK\$' millions)</i> <i>(Note 1)</i>	P/B <i>(times)</i> <i>(Note 2)</i>
592	Bossini International Holdings Ltd	Retail and distribution of garment.	830.68	2.38
533	Goldlion Holdings Ltd	Distribution and manufacturing of garments and accessories.	1,037.14	0.24
2209	YesAsia Holdings Ltd	Procurement and sale of third-party branded and unbranded Asian fashion & lifestyle, beauty and entertainment products.	192.12	0.85
2528	Forward Fashion (International) Holdings Co Ltd	Retail of fashion apparel.	132.00	0.56
1255	TATA Health International Holdings Ltd	Trading of footwear products and healthcare products.	100.78	3.00
1223	Symphony Holdings Ltd	Manufacturing and trading of footwear products.	2,617.32	0.93
709	Giordano International Ltd	Retail and distribution of casual apparel and accessories.	5,034.09	2.21
3813	Pou Sheng International Holdings Ltd	Retail and wholesale of sportswear, including sports footwear, apparel and accessories.	3,675.06	0.40
	Overall		Maximum	3.00
			Minimum	0.24
			Average	1.32
			Median	0.89

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The market capitalisation is calculated as the closing price of the shares of the Fashion Retail Comparables as at the Latest Practicable Date multiplied by its number of issued shares as at the Latest Practicable Date.
2. The P/B multiple is calculated based on the market capitalisation divided by the NAV attributable to the shareholders of the company as referenced from their most recently published financial report/ results. The figures may be subject to rounding errors.
3. Source: Bloomberg, website of the Stock Exchange and the respective published financial reports/ results of the Fashion Retail Comparables.

4.1.4 Calculation of the implied value

We noted that the range of the P/B multiples of the Fashion Retail Comparables is large, ranging from about 0.24 times to 3.00 times. As such, with a view to ensuring the Fashion Retail Comparables fairly reflect the general market conditions, we have used the median P/B multiple in the calculation of the implied value of the Fashion Retail Segment, as set out below.

	<i>HK\$'000</i>
Segment assets of the Fashion Retail Segment as at 30 June 2023	50,221
Segment liabilities of the Fashion Retail Segment as at 30 June 2023	<u>(21,838)</u>
Segment NAV of the Fashion Retail Segment	28,383
<i>Multiplied by:</i>	
Median P/B multiple of the Fashion Retail Comparables (times)	0.89
Implied value of the Fashion Retail Segment	<u><u>25,261</u></u>

4.2 Club Segment and potential Redevelopment

In assessing the Club Segment, we have made reference to the segment NAV of the Club Segment as at 30 June 2023 which has taken into account the revaluation of the Club Land pursuant to the Club Land Valuation.

As set out in the section headed “*The Hill Top Club and the Hill Top Road Land*” in the Letter from the Board, it is the Board’s view that the future value of the Club Segment lies with the Redevelopment, not with the operation of the Club. In light of this, we have considered comparing the Club Segment (taking into account the potential Redevelopment) with comparable companies engaged in property development business. However, we note that, (i) save for the work in respect of the Rezoning and Land Exchange, the Redevelopment remains at a preliminary stage; (ii) as set out in the annual report of the Company for FY2022 and the 1H2023 Interim Results Announcement the principal activities of the Group includes only the Fashion Retail Segment, the Investments Segment

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the Club Segment, being resort and recreational club operations; (iii) as discussed with the Company, its auditors have advised that the earliest time the Group can recognise property development as one of its principal business segments would be upon the completion of the Land Exchange, which is currently estimated to be in the first quarter of 2026; and (iv) the development risks in respect of the Redevelopment as referred to by the Board in the section headed “*The Hill Top Club and the Hill Top Road Land*” in the Letter from the Board. We therefore consider it inappropriate to compare the Club Segment and potential Redevelopment to listed companies which are mature in operating property development businesses. In light of the above, the Club Land in its current state can be considered, for the purposes of this analysis, simply as land rezoned for residential use.

Pursuant to the Club Land Valuation, the Valuer arrived at the market value of the Club Land of HK\$380 million as at the Valuation Date on an “as-if completed”— basis based on nearby residential properties with appropriate deduction on construction costs, professional fees, marketing fees, as well as anticipated profit margins. The market value is the estimated amount for which the Club Land would exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, i.e. the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer for the transaction of the Club Land based on the Redevelopment proposal and assuming that it will be developed and completed in accordance with such plans.

Having considered the above including, among other things, the status and prospects of the Club Segment and the potential Redevelopment and the Club Land Valuation, the most appropriate benchmark for comparison purposes would be the NAV of the Club Segment as set out below.

	<i>HK\$’000</i>
Segment assets of the Club Segment as at 30 June 2023 (<i>Note</i>)	381,937
Segment liabilities of the Club Segment as at 30 June 2023	<u>(3,337)</u>
Segment NAV of the Club Segment	378,600

Note: The segment assets as at 30 June 2023 as reported in the 1H2023 Interim Results Announcement has reflected the market value of the Club Land attributable to the Group of HK\$380 million as valued by the Valuer as at the Valuation Date.

4.3 Investments Segment

For the assessment of the Investments Segment of the Group, we note that it comprises (i) the Investment Portfolio; (ii) the Investment Properties; and (iii) the cash and bank balances, time deposits and restricted bank balances which are not being actively used for operations but from which the Group will replenish the working capital of its businesses, as and when necessary. The fair value of the Investment Portfolio and the cash and bank balances, time deposits and restricted bank balances as at 30 June 2023 are already reflected in the segment assets of the Investments Segment set out in the 1H2023 Interim Results Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Investment Properties comprise industrial property units situated in Hong Kong and held by the Group to earn rental income and for capital appreciation.

As set out in the Properties Valuation, the market value of the Investment Properties as at the Valuation Date is HK\$52.8 million. Please refer to the Properties Valuation as contained in Appendix II to the Scheme Document for additional details.

Having considered the above, the most appropriate benchmark for comparison purposes would be the NAV of the Investments Segment, as set out below.

	<i>HK\$'000</i>
Segment assets of the Investments Segment as at 30 June 2023 (<i>Note</i>)	699,018
Segment liabilities of the Investments Segment as at 30 June 2023	<u>(11,963)</u>
Segment NAV of the Investments Segment	687,055

Note: The segment assets as at 30 June 2023 as reported in the 1H2023 Interim Results Announcement has reflected the market value of the Investment Properties attributable to the Group of HK\$52.8 million as valued by the Valuer as at the Valuation Date.

4.4 Comparison of the Cancellation Price to the sum-of-the-parts value of the Group

The calculation of the value of the Group based on the sum-of-the-parts approach (the “**SOTP Value**”) is set out below.

	<i>HK\$'000</i>
Implied Value of the Fashion Retail Segment	25,261
NAV of the Club Segment	378,600
NAV of the Investments Segment	687,055
<i>Adjustments:</i>	
Unallocated liabilities of the Group (<i>Note 1</i>)	(5,255)
Non-controlling interests as at 30 June 2023	<u>754</u>
SOTP Value of the Group	<u>1,086,415</u>
SOTP Value per Share of the Group (<i>Note 2</i>)	HK\$0.658

Notes:

1. This represents the unallocated interest-bearing bank borrowings of the Group as at 30 June 2023.
2. Based on 1,650,658,676 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Cancellation Price of HK\$0.58 represents a discount of approximately 11.9% to the SOTP Value per Share.

We note that the Cancellation Price is lower than the SOTP Value per Share. However, having taken into account the following factors:

- (i) the Cancellation Price represents significant premiums in a range of approximately 24.7% to 49.5% over the closing Share prices for different periods up to and including the Last Trading Date as analysed in the subsection headed “*3. Analysis of the Cancellation Price — 3.4 Cancellation Price comparison*” above in this letter;
- (ii) the Shares have historically primarily traded below the NAV per Share of the Group, as illustrated in the subsection headed “*3. Analysis of the Cancellation Price — 3.2 Historical P/B multiples of the Shares*” above in this letter, and the Cancellation Price represents a discount of approximately 12.1% to the 1H2023 NAV per Share, which is lower than the average discounts to the NAV per Share of the Group of 24.7% and 36.1% at which the Share prices traded during the P/B Review Period and the 12 months immediately prior to the Last Trading Date, respectively; and given
- (iii) the outlook and prospects of the Fashion Retail Segment and the Club Segment as discussed above in the subsection headed “*1. Information of the Group — 1.3 Prospects of the Group*”; and
- (iv) the historically thin trading volume of the Shares as discussed in the subsection headed “*3. Analysis of the Cancellation Price — 3.3 Trading liquidity of the Shares*” above in this letter, whereby the Scheme Shareholders, especially those with significant stakes, might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares,

we consider the Cancellation Price to be fair and reasonable.

5. Privatisation precedents

We have attempted to identify privatisation precedents which may be comparable to the Company in terms of business nature, however, we were unable to find any directly comparable privatisation precedents which had operated the same or a similar mix of businesses as the Group. As an alternative, we have compared the Proposal to privatisation proposals in the market based on the following criteria: (i) the subject companies are listed on the Main Board of the Stock Exchange; (ii) the subject companies have a market capitalisation as at their last trading day (or last full trading day, as it may be relevant) prior to the announcement of the privatisation proposal of no more than HK\$10 billion; (iii) the privatisation proposal was announced between 1 January 2021 and up to the Latest Practicable Date (the “**Precedents Review Period**”); and (iv) the privatisation proposal involves cash consideration only (i.e. excluding combined consideration of cash and shares). Based on such criteria, we have identified 30 precedents (the “**Precedents**”) as set out in the table below which is exhaustive. We consider the Precedents Review Period which covers more than two years and the sample size identified under such basis to be appropriate and sufficient for analysis of the pricing of recent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

privatisations of Main Board listed companies in Hong Kong. Shareholders should note that these Precedents involved companies in different industries with different market capitalisations, involving different methods of privatisation including by way of a scheme of arrangement, general offer and other methods, and different underlying reasons for their respective privatisation proposals.

We have noted that the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Date surged by 24% to HK\$0.465 per Share from HK\$0.375 per Share on the Last Full Trading Date. Trading of the Shares on the Stock Exchange was temporarily halted with effect from 1:00 p.m. on the Last Trading Date pending the release of the Joint Announcement. While we do not know the reasons for the sudden surge of the Share price on the Last Trading Date, in order to avoid any distortion of the analysis on the Cancellation Price as compared to the Precedents, we have decided to exclude the Last Trading Date from the calculation of the pricing ratios for the Company for the purpose of making comparative analysis with the Precedents in the below table.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Rule 3.5/3.7	Company (stock code)	Principal business	Premium of privatisation price over					Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
				Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)	Average share price over the last 90 trading days (Note 3)		
21 February 2023		Jiangnan Group Limited (1366)	Manufacturer of wires and cables for power transmission, distribution systems and electrical equipment in the PRC.	Market Capitalisation (in HK\$ millions) (Note 1)	12.68%	89.9%	101.4%	99.6%	90.2%	(63.8%)
17 February 2023		AAG Energy Holdings Limited (2686)	Exploration, development and production of coalbed methane in the PRC.	5,704	10.1%	9.3%	10.8%	24.2%	27.2%	(27.5%)
28 October 2022		Shandong Fengxiang Co., Ltd (9977) (Note 4)	White-feathered broiler meat exporter and retail enterprise of chicken meat food in China.	1,848	14.6%	18.2%	56.0%	59.3%	48.4%	(43.1%)
24 October 2022		Kingston Financial Group Limited (1031)	Provision of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory and futures brokerage.	2,764	47.8%	47.6%	39.4%	33.3%	29.9%	(46.2%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
				Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
8 August 2022	EVOC Intelligent Technology Company Limited (2308)	Research, development, manufacture and distribution of special computer products, assembling and trading of electronic products and accessories, and development of properties in the PRC.	1,874	15.1%	44.6%	44.6%	50.9%	52.2%	(55.4%)
7 August 2022	Lifestyle International Holdings Limited (1212)	Operation of department stores, property development and investment in Hong Kong and United Kingdom.	4,626	62.3%	81.9%	70.1%	58.7%	48.1%	(52.8%)
9 June 2022	China VAST Industrial Urban Development Company Limited (6166)	Industrial towns development, property development and property leasing in the PRC.	3,038	30.4%	28.8%	31.4%	36.9%	42.1%	(41.9%)
2 June 2022	Xiamen International Port Co., Ltd (3378)	Container, bulk and general cargo loading and unloading and storage businesses; comprehensive port logistic services; and trading of merchandise.	3,953	55.2%	100.9%	134.2%	150.0%	155.7%	(14.8%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
				Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
16 March 2022	Yashili International Holdings Ltd (1230)	Manufacturing and sales of dairy and nourishment products.	4,366	160.9%	150.5%	138.5%	134.2%	127.3%	(2.9%)
24 January 2022	Guodian Technology & Environmental Group Corporation Limited (1296)	Providing environmental protection and energy conservation solutions and the business of renewable energy equipment manufacturing and service.	4,427	48.0%	103.8%	93.1%	107.7%	93.9%	(13.6%)
14 January 2022	AKM Industrial Company Limited (1639)	Manufacturing and sales of flexible printed circuit and flexible packaging substrates which are used in electronic products.	2,430	14.5%	31.4%	25.8%	29.0%	40.7%	70.9%
17 December 2021	Lanzhou Zhuangyuan Pasture Co., Ltd. (1533)	Manufacturing and selling of dairy products and breeding of dairy cows.	2,022	25.2%	47.4%	43.5%	54.3%	58.8%	12.5%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
				Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
15 October 2021	Yorkey Optical International (Cayman) Ltd. (2788) (Note 5)	Manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products.	465	75.3%	101.0%	102.6%	101.0%	101.0%	6.3%
8 October 2021	Dragon Crown Group Holdings Limited (935)	Providing terminal storage services and handling of liquid petrochemicals.	1,440	8.5%	7.5%	9.4%	20.8%	28.3%	34.7%
6 October 2021	Chinese Estates Holdings Limited (127) (Note 4)	Property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.	4,159	83.5%	76.2%	50.9%	35.1%	23.8%	(54.6%)
6 September 2021	Hop Hing Group Holdings Limited (47)	Operation of quick service restaurant chain business in northern part of China.	463	73.9%	76.2%	70.9%	62.9%	61.0%	57.8%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Rule 3.5/3.7	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
					Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
25 August 2021		Suchang Gas Corporation Limited (1430)	Distribution and sale of piped natural gas, operating compressed natural gas and liquified natural gas refuelling station business, the provision of natural gas transmission, and acting as the main contractor of construction and connection of gas pipelines in PRC.	2,194	2.9%	23.2%	25.6%	26.3%	26.3%	96.9%
12 August 2021		Golden Throat Holdings Group Company Limited (6896) (Note 4)	Manufacturing and sales of pharmaceutical, healthcare food and other products.	1,649	55.6%	58.0%	54.0%	55.3%	58.4%	31.2%
12 August 2021		Good Friend International Holdings Inc. (2398)	Design and production of computer numerical control machine tools.	403	50.0%	73.8%	61.6%	49.0%	38.9%	(20.2%)
27 July 2021		Nature Home Holding Company Limited (2083)	Manufacturing of laminated, engineered and plastic floorings.	1,681	39.3%	38.0%	31.6%	30.9%	38.4%	(23.1%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Rule 3.5/3.7	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
					Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
9 July 2021		Beijing Capital Land Ltd. (2868)	Real estate development and investment, commercial real estate operation, property consulting services and investment holding.	7,504	62.8%	77.2%	127.4%	149.9%	142.5%	(49.0%)
25 June 2021		Bestway Global Holding Inc. (3358)	Manufacturing and sales of high quality and leisure products.	3,651	27.0%	32.7%	47.1%	62.8%	72.1%	0%
20 April 2021		Inner Mongolia Energy Engineering Co. Ltd. (1649) (Note 6)	Providing a full range of service in the power industry in the PRC.	3,388	51.3%	55.2%	41.0%	30.1%	25.5%	55.2%
28 February 2021		Xiezhong International Holdings Limited (3663)	Design, production and sale of automotive heating, ventilation and air conditioning systems.	544	17.6%	21.2%	25.0%	37.9%	42.9%	400.0%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share	
				Closing share price on the last trading day (Note 2)	Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)
25 February 2021	Sichuan Langtang Justbon Services Group Co., Ltd. (2606)	Provision of property management services, consultancy services and community value-added services in the PRC.	8,807	39.4%	46.6%	46.8%	59.6%	57.4%	183.6%
5 February 2021	Zhejiang Cangnan Instrument Group Company Limited (1743)	Manufacturing and sales of industrial and commercial gas flowmeters.	1,385	15.2%	10.6%	18.0%	25.2%	4.4%	20.2%
22 January 2021	Zhuhai Holdings Investment Group Limited (908)	Provision of ferry services, the management of holiday resorts, a theme park and an amusement park, property development, the operation of a golf club, the provision of port facilities and financial investments.	3,170	37.8%	37.5%	52.4%	56.1%	57.4%	(21.5%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Company (stock code)	Principal business	Market Capitalisation (in HK\$ millions) (Note 1)	Premium of privatisation price over				Average share price over the last 90 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 10 trading days (Note 3)	Closing share price on the last trading day (Note 2)	Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share
				Average share price over the last 10 trading days (Note 3)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)	Average share price over the last 90 trading days (Note 3)						
21 January 2021	Polytec Asset Holdings Limited (208)	Property development and investment; manufacturing of ice and provision of cold storage services; oil exploration and production and financial investments.	4,128	61.3%	63.2%	72.5%	94.2%	104.1%					(54.6%)
20 January 2021	Zhejiang New Century Hotel Management Co., Ltd. (1158)	Operation and management of mid-scale to upscale hotel chains business.	4,077	24.7%	22.3%	20.8%	19.7%	20.3%					174.8%
17 January 2021	HKC (Holdings) Limited (190)	Property development and investment mainly in the PRC.	1,789	120.4%	123.0%	119.5%	109.3%	100.3%					(68.3%)
		<i>Overall</i>											
		Maximum	8,807	160.9%	150.5%	138.5%	150.0%	155.7%					400.0%
		Minimum	403	2.9%	7.5%	9.4%	19.7%	4.4%					(68.3%)
		Mean	3,004	44.8%	56.6%	58.9%	62.1%	64.1%					16.4%
		Median	2,597	39.4%	47.5%	49.0%	54.8%	50.3%					(14.2%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first announcement	Rule 3.5/3.7	Company (stock code)	Principal business	Premium of privatisation price over				Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share		
				Closing share price on the last trading day (in HK\$ millions) (Note 1)	Average share price over the last 10 trading days (Note 2)	Average share price over the last 30 trading days (Note 3)	Average share price over the last 60 trading days (Note 3)		Average share price over the last 90 trading days (Note 3)	
			<i>Successful Precedents</i>							
			Maximum	8,807	160.9%	150.5%	138.5%	150.0%	155.7%	400.0%
			Minimum	403	2.9%	7.5%	9.4%	19.7%	4.4%	(68.3%)
			Mean	3,054	44.1%	57.2%	59.4%	63.5%	64.1%	20.6%
			Median	2,764	39.3%	47.4%	46.8%	54.3%	52.2%	(13.6%)
			The Company (Note 7)	619	54.7%	49.9%	48.0%	49.9%	43.9%	(12.1%)

Notes:

1. The market capitalisation is calculated by multiplying the closing share price of the subject companies by their total number of shares in issue as at the last trading day prior to the publication of the first Rule 3.5 announcement/ Rule 3.7 announcement, as the case may be.
2. This represents the premium of the privatisation price over the closing share price on the last trading day or, where the last trading day was not a full trading day, the last full trading day of the shares of the subject company prior to the publication of the first Rule 3.5 announcement/ Rule 3.7 announcement; or, where disclosed in the scheme/ offer document of the subject company, the closing share price of the subject company on the unaffected price date, as the case may be.
3. This represents the average share price over the last 10/ 30/ 60/ 90 trading days calculated with reference to the last relevant trading day.
4. The requisite approval for the privatisation proposals of Shandong Fengxiang Co., Ltd, Chinese Estates Holdings Limited and Golden Throat Holdings Group Company Limited (the “**Unsuccessful Precedents**”) was not obtained. Save for these Precedents, all of the other Precedents have been approved by disinterested shareholders or the required acceptance level was achieved (the “**Successful Precedents**”).
5. As set out in the announcement of Yorkey Optical International (Cayman) Limited dated 4 January 2022, the cancellation price was increased from HK\$0.88 to HK\$0.999 per scheme share. The analysis herein is based on the final cancellation price of HK\$0.999 per scheme share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. This represents the premium of the privatisation price over the unaudited NAV of the Inner Mongolia Energy Engineering Co. Ltd. as at 31 December 2020 as no audited financial information had been available since 2018.
7. These represent the market capitalisation on the Last Full Trading Date, premium of the Cancellation Price over the closing Share price on the Last Full Trading Date and the average share price over the last 10/ 30/ 60/ 90 trading days up to and including the Last Full Trading Date.
8. The figures in the table may be subject to rounding errors. Premiums for certain trading periods shown in the table are independently calculated by us based on the share price information quoted on Bloomberg as they were not disclosed in their respective scheme/ offer documents.
9. Source: Bloomberg and the relevant announcements, circulars and/or financial reports published by the subject companies on the Stock Exchange website.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The information in respect of the Precedents set out above illustrates the levels of premium over market prices in Hong Kong offered by the offerors to privatise a company listed on the Main Board of the Stock Exchange, i.e. how much the shareholders are being offered and the level of premium that is acceptable to the offeror in terms of historical share price ranges. It is noted that of the 30 Precedents, all except for three Precedents were successfully completed. Although the indicated price or NAV ratios (as the case may be) of these three Unsuccessful Precedents were also within the range of those of the Successful Precedents, we have, for the below analysis, compared the ratios represented by the Cancellation Price with those of the Successful Precedents only.

Based on the table above, we note that in terms of comparison to trading prices, the premiums represented by the Cancellation Price of HK\$0.58 per Scheme Share over the closing Share prices on the Last Full Trading Date and the average closing Share prices for the last 10, 30, 60 and 90 trading days up to and including the Last Full Trading Date all are very close to the median figures represented by the Successful Precedents. In terms of comparison to NAV, the Cancellation Price represents a discount to the unaudited consolidated NAV per Share for 1H2023 (being approximately 12.1% discount), which is better off (i.e. in favour of the Disinterested Shareholders) than the median of the comparative figures shown by the Successful Precedents (being approximately 13.6% discount).

Given that the future value of the Club Business lies with the potential Redevelopment, although we consider that it is inappropriate to classify the Company as operating a property development business for the reasons set out in the subsection headed “4. *Sum-of-the-parts analysis of the Group — 4.2 Club Segment and potential Redevelopment*” above, we nevertheless extract below, for the information of the Disinterested Shareholders, the eight Precedents included in the above table, which were at the time of their privatisation offers principally engaged in property development business (the “**Property Development Precedents**”), and compare (i) the discount represented by the Cancellation Price to the NAV attributable to the Shareholders with (ii) the premiums/ discounts represented by the privatisation prices to the NAV of these Property Development Precedents.

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal business	Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share
8 August 2022	EVOC Intelligent Technology Company Limited (2308)	Research, development, manufacture and distribution of special computer products, assembling and trading of electronic products and accessories, and development of properties in the PRC.	(55.4%)
7 August 2022	Lifestyle International Holdings Limited (1212)	Operation of department stores, property development and investment in Hong Kong and United Kingdom.	(52.8%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Principal business	Premium/ (discount) of the privatisation price over/(to) the latest NAV/ reassessed NAV attributable to owners of the company per share
9 June 2022	China VAST Industrial Urban Development Company Limited (6166)	Industrial towns development, property development and property leasing in the PRC.	(41.9%)
6 October 2021	Chinese Estates Holdings Limited (127) (Note 4)	Property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.	(54.6%)
9 July 2021	Beijing Capital Land Ltd. (2868)	Real estate development and investment, commercial real estate operation, property consulting services and investment holding.	(49.0%)
22 January 2021	Zhuhai Holdings Investment Group Limited (908)	Provision of ferry services, the management of holiday resorts, a theme park and an amusement park, property development, the operation of a golf club, the provision of port facilities and financial investments.	(21.5%)
21 January 2021	Polytec Asset Holdings Limited (208)	Property development and investment; manufacturing of ice and provision of cold storage services; oil exploration and production and financial investments.	(54.6%)
17 January 2021	HKC (Holdings) Limited (190)	Property development and investment mainly in the PRC.	(68.3%)
		<i>Property Development Precedents</i>	
		Maximum	(21.5%)
		Minimum	(68.3%)
		Mean	(49.8%)
		Median	(53.7%)
		The Company	(12.1%)

As can be seen from the table above, the discount represented by the Cancellation Price to the unaudited consolidated NAV per Share for 1H2023 is much smaller than the discounts of the Property Development Precedents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Disinterested Shareholders' attention is drawn to the fact that the business nature and scale of each Precedent company was different from that of the Company and there are no direct comparable Precedents to the Group. Further, certain aspects of pricing of each Precedent are likely to be industry-specific. In this light, we consider that no specific comparison could be made to any one of those Precedents and, therefore, the above references are for the information of the Disinterested Shareholders only. Disinterested Shareholders should note that our view on the fairness and reasonableness of the Proposal relies more particularly on the analysis of the existing business and operation of the Group, the prospects of its business, the historical trading performance of the Shares on the Stock Exchange and the Cancellation Price as compared to the underlying NAV of the Group.

6. Possibility of a subsequent offer from the Offeror or offer from a third party

It is worth noting that, if the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on the Offeror and Offeror Concert Parties making subsequent offers, to the effect that neither the Offeror nor any person who acting in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Given the Offeror and Offeror Concert Parties control approximately 44.28% equity interest in the Company, we consider that it would be highly unlikely to have a third party putting forward a competing privatisation proposal or general offer for the Shares without consent from or acceptance by the Offeror and Offeror Concert Parties in respect of such third party offer. In this light, there is no assurance that there will be a competing and/or subsequent offer at a price higher than the Cancellation Price from an independent third party if the Scheme fails since the success of such proposal or offer would hinge on the acceptance of the Offeror and Offeror Concert Parties.

Having considered the above and the trading liquidity of the Shares as more particularly discussed in the subsection headed "*3. Analysis of the Cancellation Price — 3.3 Trading Liquidity of the Shares*" above in this letter, the Proposal provides an immediate exit opportunity for the Scheme Shareholders to realise their shareholding in the Company at a price we consider to be fair and reasonable.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the Group is principally engaged in the Fashion Retail Segment, the Club Segment and the Investments Segment. The Fashion Retail Segment and Club Segment have been loss-making for many years. Despite the Group recorded a reduction in loss for 1H2023 due in part to the improvement in trading results of the Fashion Retail Segment as compared to 1H2022, as set out in the Letter from the Board, the Board considers that the circumstances surrounding the Fashion Retail Segment makes it challenging to operate profitably, and that the operation plan of the Club hinges on the progress of the Land Exchange. In this regard, the Board will evaluate periodically when it believes will be the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

optimal time for the closure of the Club Segment. The Investments Segment is also susceptible to market factors and prevailing investment sentiment which are unpredictable. In light of the above, there are uncertainties surrounding the outlook and prospects of the current businesses of the Group;

- (ii) for the reasons discussed in the subsection headed “*1. Information of the Group — 1.3 Prospects of the Group*” above in this letter, we concur with the Board’s view that the future value of the Club Segment lies with the Redevelopment, however, such Redevelopment would carry with its development risks as explained in the section headed “*The Hill Top Club and the Hill Top Road Land*” in the Letter from the Board, in particular, risks surrounding the timing and final execution terms of the Redevelopment;
- (iii) as discussed in the subsection headed “*3. Analysis of the Cancellation Price — 3.3 Trading liquidity of the Shares*” above in this letter, the trading volume of the Shares during the Share Review Period has been thin. In light of this, the Scheme Shareholders, especially those with significant stakes, might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares;
- (iv) as discussed in the subsection headed “*3. Analysis of the Cancellation Price — 3.4 Cancellation Price comparison*” above in this letter, the Cancellation Price of HK\$0.58 per Scheme Share represents premiums in the range of approximately 24.7% to 49.5% over the closing Share prices for different periods up to and including the Last Trading Date and approximately 41.6% to 54.7% over the closing Share prices for different periods up to and including the Last Full Trading Date;
- (v) as discussed in the subsection headed “*3. Analysis of the Cancellation Price — 3.4 Cancellation Price comparison*” above in this letter, the Shares have historically been traded, on average, at a discount to the NAV of the Group. As such, despite the Cancellation Price represents a discount of approximately 12.1% to the 1H2023 NAV per Share, such discount is lower than the average discounts to the NAV per Share of the Group of 24.7% and 36.1% at which the Share prices had traded during the P/B Review Period and the 12 months immediately prior to the Last Trading Date, respectively. Accordingly, we consider the discount of the Cancellation Price to the 1H2023 NAV per Share is acceptable in return for an immediate cash exit opportunity;
- (vi) as discussed in the subsection headed “*4. Sum-of-the-parts analysis of the Group — 4.4 Comparison of the Cancellation Price to the sum-of-the-parts value of the Group*” above in this letter, the Cancellation Price represents a discount of approximately 11.9% to the SOTP Value per Share of the Group, which we consider acceptable in return for an immediate cash exit opportunity; and
- (vii) as discussed in the section headed “*6. Possibility of a subsequent offer from the Offeror or offer from a third party*” above in this letter, (i) if the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

possible offer for the Company, except with the consent of the Executive; and (ii) given the Offeror and Offeror Concert Parties control approximately 44.28% equity interest in the Company, we consider that it would be highly unlikely to have a third party putting forward a competing privatisation proposal or general offer for the Shares without consent from or acceptance by the Offeror and Offeror Concert Parties in respect of such third party offer,

on balance, we consider the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend to the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the special resolution necessary to implement the Proposal and the Scheme at the EGM.

The Shares have traded below the Cancellation Price since 6 July 2022 and up to the Latest Practicable Date. Although we consider it unlikely, there remains the possibility that the Share price may exceed the Cancellation Price by 29 September 2023, being the expected last day for trading of the Shares on the Stock Exchange if the Scheme is approved. Accordingly, the Scheme Shareholders are advised to monitor the trading price and liquidity of the Shares during this period. Having regard to their own circumstances, Scheme Shareholders may consider selling their Shares in the open market if the net proceeds obtained from such disposals (after deducing all transaction costs) would be higher than the net proceeds to be received under the Scheme.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Mei H. Leung **Calvin Cheng**
Chairman *Director,*
Corporate Finance

Ms. Mei H. Leung is a licensed person and has been a responsible officer of Optima Capital Limited registered with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) since 2007. Ms. Leung has over 30 years of experience in corporate finance.

Mr. Calvin Cheng is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Cheng has over 10 years of experience in corporate finance.

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

1. INTRODUCTION

On 2 June 2023, the respective directors of the Offeror and the Company jointly announced that on 2 June 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration for such cancellation, the payment to the Scheme Shareholders of the Cancellation Price of HK\$0.58 in cash for each Scheme Share cancelled.

The Offeror confirmed in the Joint Announcement that there would be no increase in the Cancellation Price and that the Offeror did not reserve a right to do so.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties beneficially owned, controlled or had direction over 730,974,145 Shares, representing approximately 44.28% of the total issued Shares.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

2. THE PROPOSAL

The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share cancelled and extinguished;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount immediately before the cancellation by the allotment and issue to the Offeror, credited as fully paid, of such number of new Shares as the number of Scheme Shares cancelled and extinguished. The credit arising in the books of account of the Company as a result of the capital reduction will be applied in paying up the new Shares so allotted and issued, credited as fully paid, to the Offeror; and

EXPLANATORY STATEMENT

- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place with effect from or as soon as practicable after the Effective Date.

The Proposal, which involves a reduction of the share capital of the Company by the cancellation of the Scheme Shares and the issue of new Shares (the number of which is equal to the number of Scheme Shares cancelled and extinguished) to the Offeror, is structured in a way so that upon the Scheme becoming effective, the Offeror will directly hold 80.48% of the total issued Shares and the Offeror and the Offeror Concert Parties will directly or indirectly hold 100% of the total issued Shares.

Under the terms of the Proposal, the Scheme Shareholders will not be entitled to receive any dividend declared or paid with a record date after the date of this Scheme Document unless the Scheme lapses or is otherwise terminated. As at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid and does not intend to declare or pay any dividend on or before (i) the Effective Date or (ii) the date on which the Scheme lapses or is otherwise terminated (whichever is earlier).

3. THE SCHEME

The Scheme involves a reduction of the share capital of the Company by the cancellation of the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount immediately before the cancellation by the allotment and issue to the Offeror, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so allotted and issued, credited as fully paid, to the Offeror. The Scheme provides that, in consideration of the cancellation of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$0.58 in cash from the Offeror for each Scheme Share cancelled.

The Offeror has confirmed that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

In the paragraphs below titled "*Comparison of value*" and "*Highest and lowest prices*", the historical closing prices per Share mentioned as quoted on the Stock Exchange were obtained from the website of the Stock Exchange (<http://www.hkex.com.hk>) on the Last Trading Date, and thus have been adjusted for corporate actions and entitlement events including special dividends based on adjustment methods adopted by the Stock Exchange. Please refer to the website of the Stock Exchange for the adjustment method of historical securities prices.

Comparison of value

The Cancellation Price of HK\$0.58 per Scheme Share represents:

- (a) a premium of approximately 24.7% over the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Date;

EXPLANATORY STATEMENT

- (b) a premium of approximately 54.7% over the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Full Trading Date;
- (c) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 46.5% over the average closing price of approximately HK\$0.396 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 49.5% over the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 43.9% over the average closing price of approximately HK\$0.403 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a discount of approximately 16.2% to the audited consolidated net asset value per Share of approximately HK\$0.692 as at 31 December 2022;
- (h) a discount of approximately 12.1% to the unaudited NAV per Share as at 30 June 2023 of approximately HK\$0.660, the calculation of which is set out in the section headed “4. *Property interests and unaudited NAV of the Group*” in Appendix I to this Scheme Document; and
- (i) a premium of approximately 7.4% over the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account the then recently traded prices of the Shares prior to the publication of the Joint Announcement, the publicly available historic traded prices of the Shares, financial performance of the Group, the trading multiples of comparable businesses listed on the Stock Exchange and the factors set out in the section headed “*Reasons for and benefits of the Proposal*” below, and with reference to other similar privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.465 on 6 and 22 December 2022 and 25 May 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.355 on 11, 13 and 17 April 2023.

During the twelve-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.620 on 26 May 2022 and 1, 2, 6, 7, 8 and 13 June 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.345 on 24 October 2022.

EXPLANATORY STATEMENT

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.58 per Scheme Share and 919,684,531 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$533.4 million.

The Offeror intends to finance the cash required for the Proposal through internal cash resources.

Altus Capital, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal.

5. CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the Scheme being approved by the Disinterested Shareholders (by way of poll) representing at least 75% of the voting rights of the Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and section 674(3) of the Companies Ordinance);
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished;
- (c) the sanction of the Scheme (with or without modification) under section 673 of the Companies Ordinance and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively;

EXPLANATORY STATEMENT

- (e) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (g) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms; and
- (h) since the date of the Joint Announcement:
 - (i) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
 - (ii) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) above) in whole or in part. The Company does not have the right to waive any of the Conditions.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

EXPLANATORY STATEMENT

With reference to the Condition in paragraph (e), as at Latest Practicable Date, neither the sole director of the Offeror nor the Company are aware of any requirement for such authorisations, approvals, permissions, waivers, consents, enquiry, registrations or filings other than those set out in the Conditions in paragraphs (a) to (d). With reference to the Condition in paragraph (f), as at Latest Practicable Date, neither the sole director of the Offeror nor the Company are aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order. With reference to the Condition in paragraph (g), as at Latest Practicable Date, neither the sole director of the Offeror nor the Company are aware of any such non-compliance or legal or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (d). With reference to the Condition in paragraph (h), as at the Latest Practicable Date, the sole director of the Offeror and, save as disclosed in the section headed “5. *Material Change*” in Appendix I to this Scheme Document, the Company were not aware of any such event or circumstance.

The Scheme is subject to the requirement under section 674(2) of the Companies Ordinance that members representing at least 75% of the voting rights of the members present and voting (in person or by proxy) at the Court Meeting agree to the Scheme, and the requirement under Rule 2.10 of the Takeovers Code that the Scheme must be approved by at least 75% of the votes attaching to the disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) that are cast (in person or by proxy) at the meeting of the holders of the disinterested Shares. Accordingly:

- (a) for the purpose of the Companies Ordinance, the 75% approval threshold will be determined by reference to the voting rights of the Scheme Shareholders, who attend and vote (in person or by proxy) at the Court Meeting; and
- (b) for the purpose of the Takeovers Code, the 75% approval threshold will be determined by reference to the votes attaching to all the Scheme Shares held by the Disinterested Shareholders which are cast (in person or by proxy) at the Court Meeting.

Therefore, in order to satisfy the requirements under both the Companies Ordinance and the Takeovers Code, the 75% approval threshold will be determined by reference to the Shares held by the Scheme Shareholders (all of which are also Disinterested Shareholders) who attend and vote at the Court Meeting.

The Scheme is also subject to the requirement under section 674(2) of the Companies Ordinance that the votes cast against the Scheme at the Court Meeting shall not exceed 10% of the voting rights attached to all disinterested Shares (as defined in section 674(3) of the Companies Ordinance), and the requirement under Rule 2.10 of the Takeovers Code that the number of votes cast against the resolution to approve the Scheme at the meeting of the holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) shall not be more than 10% of the votes attaching to all disinterested Shares. Accordingly, all Scheme Shares (i.e. all the Shares in issue as at the Scheme Record Date, other than any held or beneficially owned by the Offeror and the Offeror Concert Parties) will be regarded as disinterested Shares for the purpose of the Companies Ordinance and the Takeovers Code.

EXPLANATORY STATEMENT

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

Shareholders and/or potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institutions in securities, bank manager, solicitor or other professional advisers.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

Assuming that the Conditions are fulfilled or, as applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Friday, 3 November 2023, and the listing of Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Wednesday, 8 November 2023 pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

7. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date, the share capital of the Company comprised 1,650,658,676 Shares.

EXPLANATORY STATEMENT

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto).

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
(A) Offeror⁽¹⁾	408,757,642	24.76	1,328,442,173	80.48
(B) Offeror Concert Parties⁽¹⁾⁽²⁾⁽³⁾				
Diamond Leaf Limited ⁽⁴⁾	162,216,503	9.83	162,216,503	9.83
Mr. Jong Yat Kit and Mr. Wong Tak Wai ⁽⁵⁾	160,000,000	9.69	160,000,000	9.69
Sub-total	322,216,503	19.52	322,216,503	19.52
(C) Offeror and the Offeror Concert Parties (A) + (B)	730,974,145	44.28	1,650,658,676	100
(D) Scheme Shareholders⁽⁶⁾	919,684,531	55.72	—	—
TOTAL (A) + (B) + (D)	<u>1,650,658,676</u>	<u>100.00</u>	<u>1,650,658,676</u>	<u>100.00</u>

Note (1): Please refer to the section headed "Information on the Offeror" for details on the relationship between the Offeror and the Offeror Concert Parties.

Note (2): Upon the Scheme becoming effective, Shares held by the Offeror and the Offeror Concert Parties will not be cancelled, and the Offeror Concert Parties will directly or indirectly hold Shares in the Company and also indirectly hold Shares in the Company through the Offeror.

Note (3): For the purpose of this table, Shares owned by the Offeror Concert Parties through the Offeror are not included.

Note (4): Diamond Leaf Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by Chime Corporation Limited, a company incorporated in Hong Kong with limited liability. Chime Corporation Limited is owned as to 99.77% by the estate of Ms. Nina Kung and 0.23% by the unadministered estate of Mr. Wang Teh Huei.

Note (5): As the joint and several administrators of the estate of Ms. Nina Kung, in which they are not personally interested. For the purpose of this table, shares owned by Mr. Jong Yat Kit and Mr. Wong Tak Wai as the joint and several administrators of the estate of Ms. Nina Kung through the Offeror and Diamond Leaf Limited are not included.

Note (6): All Scheme Shareholders are Disinterested Shareholders.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, the Company has no outstanding options, warrants, derivatives or securities convertible into Shares and no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue other than its total issued Shares of 1,650,658,676 Shares.

Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares. As at the Latest Practicable Date, the Scheme Shares comprise a total of 919,684,531 Shares held or beneficially owned by the Scheme Shareholders, representing approximately 55.72% of the total issued Shares.

As at the Latest Practicable Date, the Offeror legally and beneficially owns, controls or has direction over 408,757,642 Shares, representing approximately 24.76% of the total issued Shares.

As at the Latest Practicable Date, the Offeror Concert Group Shares comprise 730,974,145 Shares held or beneficially owned by Offeror and the Offeror Concert Parties, representing approximately 44.28% of the total issued Shares.

By reason of being the exclusive financial adviser to the Offeror in connection with the Proposal, Altus Capital and relevant members of the Altus Capital group are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, members of the Altus Capital group, being Offeror Concert Parties, did not beneficially own, control or have direction over any Shares.

The Offeror and the Offeror Concert Parties will not attend and vote at the Court Meeting. The Offeror Concert Parties who are Shareholders, namely Diamond Leaf Limited, Mr. Jong Yat Kit and Mr. Wong Tak Wai, have undertaken to the Company and the Offeror to be bound by the terms of the Scheme.

All Shareholders will be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and the implementation of the Scheme.

The Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) have indicated that, if the Scheme is approved at the Court Meeting, the Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled.

Mr. Jong Yat Kit and Mr. Wong Tak Wai, who hold 160,000,000 Shares (representing approximately 9.69% of the issued share capital of the Company) as the joint and several administrators of the estate of Ms. Nina Kung, will not vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of capital and the implementation of the Scheme.

EXPLANATORY STATEMENT

8. SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the High Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the High Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the High Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the High Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all disinterested Shares (as defined in section 674(3) of the Companies Ordinance) in the company or of the class in the company, as the case may be.

9. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and all the Scheme Shareholders.

If the Scheme becomes effective:

- (a) all the Scheme Shares will be cancelled whereupon the share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the credit rising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror; and

EXPLANATORY STATEMENT

- (d) the Offeror will pay the Cancellation Price of HK\$0.58 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

10. COMMON DIRECTORSHIPS

Mr. Wong Hung Han, a director of each of Milestone Management Limited, the sole director of the Offeror, and Chime Corporation Limited, the ultimate holding company of the Offeror, is a Non-executive Director and the Non-executive Chairman of the Company. To avoid conflict of interests, Mr. Wong has not participated in any decision, including determination of the Cancellation Price, of Milestone Management Limited or Chime Corporation Limited in relation to the Proposal. Mr. Wong has not given any views on the Proposal, including the reasons for and benefits of the Proposal by the Offeror set out in the section headed “*Reasons for and benefits of the Proposal*”, and the intentions of the Offeror set out in the section headed “*The Offeror’s Intentions in relation to the Group*” below.

11. REASONS FOR AND BENEFITS OF THE PROPOSAL

The sole director of the Offeror expressed the Offeror’s views on the reasons for and benefits of the Proposal as follows.

Direct and peripheral impact of COVID-19 has resulted in consecutive years of losses in the Group’s businesses in recent years.

Uncertain macro development and consequences of recent epidemiological and geopolitical events continue to pose a challenging business environment and cloud the visibility of overall future prospects. The Offeror believes it is uncertain as to whether the Group, under its current scale, can effectively transform the existing businesses and achieve a turnaround to meaningful profitability to offset the accumulated losses in the near future.

EXPLANATORY STATEMENT

The Offeror acknowledges that the Company has sought to transform its value creation strategy by repurposing the land at Hill Top Road for redevelopment, which is currently undergoing a land grant exchange application process. However, in line with other land grant exchange applications, the process has been time-consuming and the progress slowed by the combined impact of, various governmental departments, (i) only gradually returning to normal operation rate post COVID-19; and (ii) facing high staff turnover. There remain uncertainty surrounding the timing and implementation of the remaining steps required to carry out the redevelopment, including the application for exchange of land grant and the assessment of the change of land use premium, before the Land can be used for residential development. Such execution risks, if materialised, will in turn impact the quantum of potential value to be captured.

Weak financial performance and the uncertainty over the Company's development have suppressed the Company's share price, which in turn has hindered the Company's ability to raise funds from the equity capital markets. Coupled with low liquidity of the Shares, the ongoing costs of compliance required of company to remain listed on the Main Board of the Stock Exchange, the usefulness of a listed platform for the Company is limited.

In light of the above, the Offeror believes that the Proposal, once implemented would provide an opportunity for the Company to reinvigorate its performance and better preserve its underlying value, which can be achieved by leveraging on the financial and operational resources of the Chinachem Group. The Offeror also notes that it will take time for potential benefits from restructuring and re-strategising efforts, after the aforementioned review of the structure, operation and business of the Group, to materialise. Considering this time requirement and the associated execution risks, the Offeror believes the short to medium term prospects of Shareholders' investments will be limited and is therefore of the view that such efforts will be more effectively implemented away from the public equity market which may hamper the scope and speed of implementation.

Against the above backdrop, the Offeror believes the Scheme provides an attractive opportunity for the Scheme Shareholders to monetise their Shares at a premium to the current market price of the Company as opposed to retaining a stake in the Company which will continue to face strong headwinds. Moreover, the low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without exerting downward pressure on the price of the Shares. The Proposal presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds.

12. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Following implementation of the Proposal, the sole director of the Offeror expressed that the Offeror does not intend to continue the listing of the Shares. The Offeror intends to work together with the Company's management to review the structure, operation and business of the Group and, subject to funding availability and prevailing market conditions, implement appropriate strategies to preserve and enhance the value of the Group's business and assets. Subject to the review of the structure, operation and business of the Group as set out above, the Offeror has no intention to discontinue the employment of the employees of the Group as at the Latest Practicable Date.

EXPLANATORY STATEMENT

13. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal lapses, the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “7. *Shareholding Structure of the Company and Effect of the Proposal and the Scheme*” in the Explanatory Statement of this Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Proposal lapses). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules in the event that the Proposal and the Scheme lapse.

If the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or does not become effective, or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

14. INFORMATION ON THE OFFEROR

Each of the Offeror and Diamond Leaf Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by Chime Corporation Limited, a company incorporated in Hong Kong with limited liability. Chime Corporation Limited is owned as to 99.77% by the estate of Ms. Nina Kung and 0.23% by the unadministered estate of Mr. Wang Teh Huei (together with the estate of Ms. Nina Kung, the “Estates”). Two professional administrators, namely Mr. Jong Yat Kit and Mr. Wong Tak Wai, were appointed by the High Court of Hong Kong as the joint and several administrators of each of the Estates and they are not personally interested in the Estates. Milestone Management Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, is the sole director of the Offeror.

Chime Corporation Limited is the ultimate holding company of the Chinachem Group. Chinachem Group is a privately-owned property developer based in Hong Kong and it mainly develops residential, commercial, retail and industrial properties, owns and manages hotels, provides elderly care services and invests in businesses that improves people’s lives and the environment.

15. INFORMATION ON THE COMPANY

The Company is an investment holding company incorporated in Hong Kong with limited liability. As set out in the Company’s 2022 annual report, the principal activities of the Company are investment holding and securities trading, whereas the principal activities of its subsidiaries comprise of the retail of fashion wear and accessories, resort and recreational club operations, investment holding and securities trading.

EXPLANATORY STATEMENT

Further, as disclosed in the Company's 2022 annual report and previous announcements, the Company's rezoning application in relation to the property at Hilltop Road from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8", with stipulation of a maximum gross floor area of 49,300m², was approved by the Chief Executive in Council in February 2022. The Company has since engaged the service of a land consultant to commence the application for land exchange to the Lands Department. As at the Latest Practicable Date, the process is still ongoing.

Your attention is drawn to Appendix I headed "*Financial Information Relating to the Group*", Appendix II headed "*Property Valuation Report*" and Appendix III headed "*General Information*" to this Scheme Document.

16. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from or as soon as practicable after 9:00 a.m. on Wednesday, 8 November 2023.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

17. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Monday, 30 October 2023, it is proposed that the register of members of the Company will be closed from Friday, 6 October 2023 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Thursday, 5 October 2023.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Friday, 3 November 2023, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Tuesday, 14 November 2023.

Cheques for the payment of the Cancellation Price, which will be issued by Talbot Investments Limited, an indirectly wholly-owned subsidiary of Chime Corporation Limited, will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint

EXPLANATORY STATEMENT

holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 3 November 2023.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

18. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

EXPLANATORY STATEMENT

This Scheme Document does not constitute an offer to buy or sell Shares or the solicitation of an offer to buy or subscribe for the Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The making and implementation of the Proposal to, and the acceptance of the Proposal by, Scheme Shareholders who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions in which such Scheme Shareholders are located. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction and to (ii) disclose its content or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, filings and/or registrations which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes or expenses due from such shareholder in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were eight Shareholders (representing approximately 0.12% of the total number of the Shareholders) whose addresses as shown in the register of members of the Company (“**registered addresses**”) were outside Hong Kong and those Shareholders together held 1,983,300 Shares (representing approximately 0.120% of the total issued Shares). Those eight Shareholders included: 1 Shareholder whose registered address was in Belgium, 1 Shareholder whose registered address was in the British Virgin Islands, 1 Shareholder whose registered address was in Macau, 1 Shareholder whose registered address was in Malaysia, 3 Shareholders whose registered address were in the United Kingdom, and 1 Shareholder whose registered address was in the United States. Having made reasonable enquiries, the sole director of the Offeror and the Directors are satisfied that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Altus Capital and the Independent Financial Adviser, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

EXPLANATORY STATEMENT

19. TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their approval or rejection, or the implementation, of the Proposal.

20. COURT MEETING AND EGM

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

As the Offeror Concert Parties are not Scheme Shareholders, each of the Offeror Concert Parties will procure that any Shares in respect of which they are beneficially interested will not be voted at the Court Meeting.

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. The Offeror and the Offeror Concert Parties will not attend and vote at the Court Meeting. The Offeror Concert Parties who are Shareholders, namely Diamond Leaf Limited, Mr. Jong Yat Kit and Mr. Wong Tak Wai, have undertaken to the Company and the Offeror to be bound by the terms of the Scheme. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution at the EGM. Nevertheless, Mr. Jong Yat Kit and Mr. Wong Tak Wai will not vote in respect of the special resolution at the EGM. Please refer to the section headed “7. Shareholding structure of the Company and effect of the Proposal and the Scheme” in this Explanatory Statement for further information.

Notice of the Court Meeting is set out on pages 138 to 140 of this Scheme Document. The Court Meeting will be held on Tuesday, 26 September 2023 at the time and place specified in the notice.

Notice of the EGM is set out on pages 141 to 143 of this Scheme Document. The EGM will be held at the same place and on the same date at 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

EXPLANATORY STATEMENT

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

21. INDICATIONS AS TO VOTING

The Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) have indicated that, if the Scheme is approved at the Court Meeting, the Offeror and the Offeror Concert Parties (except Mr. Jong Yat Kit and Mr. Wong Tak Wai) will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. Please refer to the section headed “7. *Shareholding structure of the Company and effect of the Proposal and the Scheme*” in this Explanatory Statement for further information in relation to voting by Mr. Jong Yat Kit and Mr. Wong Tak Wai.

22. ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 September 2023 to Tuesday, 26 September 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 15 September 2023. A subsequent purchaser of Scheme Shares purchased during the above period of closure of register of members will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the **Court Meeting** and a **white** form of proxy for use at the **EGM** are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance doubt, Sunday is a public holiday) before the time appointed for holding the Court Meeting or any adjournment thereof. The white form of proxy for use at the EGM should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance doubt,

EXPLANATORY STATEMENT

Sunday is a public holiday) before the time appointed for holding the EGM or any adjournment thereof. Alternatively, the form of proxy may be handed to the Chairperson of the Court Meeting and/or the EGM before the taking of the poll, who shall have absolute discretion as to whether or not to accept it.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

EXPLANATORY STATEMENT

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and in such event, the relevant form of proxy will be deemed to have been revoked.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

23. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE SCHEME WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

EXPLANATORY STATEMENT

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

24. FURTHER INFORMATION

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Altus Capital, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

25. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Scheme Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include statements about the expected effects on the Company of the Proposal, the expected timing, and all other statements in this Scheme Document other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

All forward-looking statements in this Scheme Document attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date.

Any forward-looking statement contained in this Scheme Document based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future.

26. LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial information of the Group for each of the six months period ended 30 June 2022 and 30 June 2023 and each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022. The figures for the six months period ended 30 June 2022 and 30 June 2023 are extracted from the results announcements of the Company for the six months period ended 30 June 2022 and 30 June 2023. The figures for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 are extracted from the annual report of the Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The auditors' reports issued by the auditors of the Company, RSM Hong Kong, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	(Unaudited)		(Audited)		
	For the six months ended		For the year ended 31 December		
	30 June		2022	2021	2020
	2023	2022	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	60,850	40,966	94,387	109,501	104,977
Cost of sales	(22,906)	(19,540)	(41,122)	(40,927)	(39,419)
Gross profit	37,944	21,426	53,265	68,574	65,558
Other income	693	2,728	4,368	1,651	12,045
Selling and distribution costs	(16,906)	(18,712)	(34,569)	(37,031)	(40,361)
Administrative expenses	(33,465)	(32,049)	(64,058)	(61,171)	(62,225)
Depreciation of property, plant and equipment, impairment loss and amortisation	(271)	(739)	(1,637)	(5,777)	(16,052)
Other operating gains/(losses), net	4,156	(83,571)	(107,169)	8,763	24,906
Loss from operations	(7,849)	(110,917)	(149,800)	(24,991)	(16,129)
Fair value gains on investment properties, net	300	—	—	5,700	1,200
Deficits write-back on revaluation of the club property	—	—	—	—	30,308
Finance costs	(625)	(594)	(1,352)	(2,045)	(3,596)
Profit/(loss) before tax	(8,174)	(111,511)	(151,152)	(21,336)	11,783
Income tax expense	—	—	—	—	—
Profit/(loss) for the year/period	(8,174)	(111,511)	(151,152)	(21,336)	11,783

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	(Unaudited)		(Audited)		
	For the six months ended		For the year ended 31 December		
	30 June				
	2023	2022	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income/(loss):					
<i>Items that will not be reclassified to profit or loss:</i>					
Fair value gain/(loss) on revaluation of the club property	(45,000)	83,000	85,000	59,000	188,724
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations	(58)	(125)	(152)	83	221
Other comprehensive income/(loss) for the year/period, net of tax	<u>(45,058)</u>	<u>82,875</u>	<u>84,848</u>	<u>59,083</u>	<u>188,945</u>
Total comprehensive income/(loss) for the year/period	<u><u>(53,232)</u></u>	<u><u>(28,636)</u></u>	<u><u>(66,304)</u></u>	<u><u>37,747</u></u>	<u><u>200,728</u></u>
Profit/(loss) attributable to:					
- Owners of the Company	(8,548)	(111,060)	(150,663)	(21,280)	11,881
- Non-controlling interests	374	(451)	(489)	(56)	(98)
Profit/(loss) for the year/period	<u><u>(8,174)</u></u>	<u><u>(111,511)</u></u>	<u><u>(151,152)</u></u>	<u><u>(21,336)</u></u>	<u><u>11,783</u></u>
Total comprehensive income/(loss) attributable to:					
- Owners of the Company	(53,593)	(28,156)	(65,780)	37,784	200,631
- Non-controlling interests	361	(480)	(524)	(37)	97
Total comprehensive income/(loss) for the year/period	<u><u>(53,232)</u></u>	<u><u>(28,636)</u></u>	<u><u>(66,304)</u></u>	<u><u>37,747</u></u>	<u><u>200,728</u></u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings/(loss) per share					
- Basic	<u>(0.52) cents</u>	<u>(6.73) cents</u>	<u>(9.13) cents</u>	<u>(1.29) cents</u>	<u>0.72 cents</u>
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), (iv) the unaudited consolidated financial statements of the Group for the period ended 30 June 2023 (the “**2023 Interim Financial Statements**”), and (v) the unaudited consolidated financial statements of the Group for the period ended 30 June 2022 (the “**2022 Interim Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out on pages 85 to 157 of the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”), which was published on 27 April 2023. The Annual Report 2022 is posted on the Company’s website at www.enmholdings.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below the direct links to the Annual Report 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700377.pdf>

<https://doc.irasia.com/listco/hk/enmholdings/annual/2022/ar2022.pdf>

The 2021 Financial Statements are set out on pages 85 to 159 of the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”), which was published on 28 April 2022. The Annual Report 2021 is posted on the Company’s website at www.enmholdings.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below the direct links to the Annual Report 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800404.pdf>

<https://doc.irasia.com/listco/hk/enmholdings/annual/2021/ar2021.pdf>

The 2020 Financial Statements are set out on pages 79 to 151 of the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”), which was published on 28 April 2021. The Annual Report 2020 is posted on the Company’s website at www.enmholdings.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below the direct links to the Annual Report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800551.pdf>

<https://doc.irasia.com/listco/hk/enmholdings/annual/2020/ar2020.pdf>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The 2022 Interim Financial Statements are set out on pages 19 to 36 of the interim report of the Company for the period ended 30 June 2022 (the “**Interim Report 2022**”), which was published on 28 September 2022. The Interim Report 2022 is posted on the Company’s website at www.enmholdings.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below the direct links to the Interim Report 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0928/2022092800266.pdf>

<https://doc.irasia.com/listco/hk/enmholdings/interim/2022/intrep.pdf>

The 2023 Interim Financial Statements are set out on pages 2 to 15 of the interim results announcement of the Company for the period ended 30 June 2023 (the “**Interim Results Announcement 2023**”), which was published on 25 August 2023. The Interim Results Announcement 2023 is posted on the Company’s website at www.enmholdings.com and the website of the Stock Exchange at www.hkexnews.hk. Please also see below the direct links to the Interim Results Announcement 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082500158.pdf>

[https://doc.irasia.com/listco/hk/enmholdings/announcement/a287800-e0128_230825interimresultsannouncement\(ir\).pdf](https://doc.irasia.com/listco/hk/enmholdings/announcement/a287800-e0128_230825interimresultsannouncement(ir).pdf)

The 2020 Financial Statements, the 2021 Financial Statements, the 2022 Financial Statements, the 2022 Interim Financial Statements and the 2023 Interim Financial Statements (but not any other part of the Annual Report 2020, the Annual Report 2021, the Annual Report 2022, the Interim Report 2022 and the Interim Results Announcement 2023 in which they appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had outstanding indebtedness as summarised below:

Bank borrowings

As at 30 June 2023, the Group had bank borrowings amounting to HK\$5,255,000, details of which are as follows:

	<i>HK\$'000</i>
Secured (<i>Note 1</i>) and guaranteed (<i>Note 2</i>)	1,098
Unsecured and guaranteed (<i>Note 2</i>)	<u>4,157</u>
Total	<u><u>5,255</u></u>

Note 1: The secured bank borrowings are charged over the Group’s pledged time deposits of HK\$10,000,000.

Note 2: The bank borrowings are guaranteed by the Company.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Lease liabilities

As at 30 June 2023, the Group had outstanding lease liabilities amounting to HK\$12,725,000 in respect of the Group's right-of-use assets.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade and other payables, the Group did not, as at 30 June 2023, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

4. PROPERTY INTERESTS AND UNAUDITED NAV OF THE GROUP

The valuation of the Group's property interests as at 30 June 2023 was conducted by Knight Frank Petty Limited, the independent professional valuer appointed by the Company. The total market value of the property interests in existing state attributable to the Shareholders as at 30 June 2023 was approximately HK\$432,800,000, as set out below:

	Market value of the property interest in existing state attributable to the Shareholders HK\$	Proportion of total
Club Property at Hill Top Road	380,000,000	87.8%
Investment Properties at Wai Hing Factory Building, Kwai Chung	<u>52,800,000</u>	<u>12.2%</u>
Total property interests	<u>432,800,000</u>	<u>100.0%</u>

Further details of the aforementioned property interests and their corresponding valuation report prepared by Knight Frank Petty Limited are set out in Appendix II to this Scheme Document.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The unaudited NAV of the Group as at 30 June 2023 (which has taken in account the valuation of the Group's property interests as at 30 June 2023) were approximately HK\$1,089 million (or approximately HK\$0.660 per Share).

	<i>HK\$</i>
Unaudited consolidated net asset value of the Group as at 30 June 2023	1,088,783,000
Net asset value per Share (based on 1,650,658,676 Shares in issue, as at the Latest Practicable Date)	<u>0.660</u>

5. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

As set out in the interim results announcement of the Company dated 25 August 2023, based on the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 (the "Period"), the Group recorded a loss attributable to Shareholders of HK\$8,548,000 for the Period, representing a substantial reduction in loss compared to the loss attributable to Shareholders for the same period in 2022. Such reduction in loss was mainly attributable to:

- (i) a turnaround in performance of the Group's investment portfolio to a net realised and unrealised gain of HK\$11,809,000 for the Period from a net realised and unrealised loss of HK\$76,338,000 for the same period last year contributed by a significant improvement in the global investment markets during the Period; and
- (ii) an improvement in the revenue of the Group to HK\$60,850,000 for the Period as compared to HK\$40,966,000 for the same period in 2022 and the trading results of the fashion retail business to operating loss of HK\$2,598,000 for the Period as compared to operating loss of HK\$12,597,000 for the same period in 2022, due to the ending of the social distancing restrictions in early 2023.

As set out in the interim results announcement of the Company dated 25 August 2023, the net asset value decreased from HK\$1,142,015,000 as at 31 December 2022 to HK\$1,088,783,000 as at 30 June 2023, due to the revaluation of the Club Land and the net loss for the Period. The Company's Club Property as at 30 June 2023 was valued by an independent professional valuer at HK\$380,000,000. The valuation represents a decrease of HK\$45,000,000 or 10.6% from the valuation as at 31 December 2022 of HK\$425,000,000. Please refer to the Property Valuation Report for details of the valuation as at 30 June 2023.

The following is the text of a valuation report prepared for the purpose of incorporation in this Scheme Document received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 30 June 2023 of the property interests held by the Group.



Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

1 September 2023

The Board of Directors
ENM Holdings Limited
Suites 3301-3302, 33rd Floor
Tower 2, Nina Tower
8 Yeung Uk Road
Tsuen Wan, New Territories
Hong Kong

Dear Sirs

**VALUATION OF VARIOUS PROPERTY INTERESTS HELD IN HONG KONG
(HEREINAFTER REFERRED TO AS THE “PROPERTIES”)**

In accordance with the instructions to us from ENM Holdings Limited (hereinafter referred to as the “**Company**”, together with its subsidiaries, hereinafter together referred to as the “**Group**”), to value the Properties, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2023 (the “**Valuation Date**”) for public disclosure purposes.

Basis of Valuation

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation — Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, Market Value is defined as: -

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market Value is also understood as the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market Value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards” issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and Rule 11 of the Hong Kong Code on Takeovers and Mergers (“**Takeovers Code**”).

Our valuation is based on 100% of the leasehold interest in the properties.

Valuation Methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In arriving at the market value of the property in Group I which is held by the Group for investment, we have considered the Market Approach as relevant sale transactions are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions. To ensure fairness and reasonability of our valuation, we have made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include location, building age, time of transaction, loading, size and other material factors.

In valuing the property in Group II which is held by the Group for future development, we have valued the property based on the development proposal as provided to us and have assumed that it will be developed and completed in accordance with the latest development proposal given by the Group. We have assumed that all consents, approvals and licenses from the relevant government authorities for the development proposal will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and will be approved by the relevant authorities. In arriving at our valuation, we have adopted the Market Approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the relevant development costs and associated risks.

Expertise

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Mr. Cyrus Fong FRICS FHKIS RPS(GP) RICS Registered Valuer who has over 15 years of valuation experiences. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation — Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. Our valuation is prepared in an unbiased and professional manner.

Potential Tax Liability

The property-related potential tax liability which might arise on disposal of the property interests (as property transfer) in Hong Kong as at the Valuation Date include Ad Valorem Stamp Duty at 4.25%, 8.5% or 15%, Buyer's Stamp Duty and / or Special Stamp Duty at 5% to 20%. As advised by the Group, the likelihood of such tax liability being crystallised is remote.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions: -

Title Documents and Encumbrances

We have conducted relevant land search from the Land Registry. We have not, however, examined the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Properties are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us such as tenancy agreements, floor areas, floor plans, planning approvals, development time schedule, development scheme, interest attributable to the Group and all other relevant matters. We have not verified the correctness of any information, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property interests or contained on the register of title. We assume that this information is complete and correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection

We have internal and external inspection of the Properties on 12 June 2023. Inspection of the Properties was undertaken by Ms. Rachel Chung MRICS RICS Registered Valuer, who has about six years of experience in valuing properties in Hong Kong. Nevertheless, we have assumed in our valuations that the Properties were in satisfactory order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property to be Valued

We have exercised reasonable care and skill to ensure that the Properties, identified by the property addresses in your instructions, are the Properties inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the Properties to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

Property Insurance

We have valued the Properties on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the Properties but have assumed that the site and floor areas shown on the documents and plans available to us are correct. Dimensions, measurements and areas included in the property valuation report are based on information provided to us and are, therefore, only approximations.

Structural and Services Condition

We have carried out a visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Properties are free from urgent or significant defects or items of disrepair, or any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the assumption that the Properties were in satisfactory condition and contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of the Properties are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect the potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but an adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed the Properties were or will be constructed, occupied, and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licenses, permits, certificates, consents, approvals, and authorisation have been or will be obtained, expected only where otherwise stated.

Remarks

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).

Area Conversion

The area conversion factors in this report are taken as follows:

$$1 \text{ sq m} = 10.764 \text{ sq ft}$$

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Jennifer Ip

MRICS RICS Registered Valuer

Senior Director, Valuation & Advisory

Cyrus Fong

FRICS FHKIS RPS(GP) RICS Registered Valuer

Senior Director, Head of Valuation & Advisory

Note: Ms. Jennifer Ip is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region and North America.

Mr. Cyrus Fong is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region for various valuation purposes.

SUMMARY OF VALUES

Group I — Property interests held by the Group for investment in Hong Kong

Property Interest	Market Value in existing state as at the Valuation Date (HK\$)	Interest attributable to the Group (%)	Market Value in existing state attributable to the Group as at the Valuation Date (HK\$)
1. 4th and 5th Floors, Roof and Parking Spaces Nos 3 and 5, Wai Hing Factory Building, 37-41 Lam Tin Street, Kwai Chung, New Territories	52,800,000	100	52,800,000
Total of Group I:	<u>52,800,000</u>		<u>52,800,000</u>

Group II — Property interests held by the Group for future development in Hong Kong

Property Interest	Market Value in existing state as at the Valuation Date (HK\$)	Interest attributable to the Group (%)	Market Value in existing state attributable to the Group as at the Valuation Date (HK\$)
2. Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories	380,000,000	100	380,000,000
Total of Group II:	<u>380,000,000</u>		<u>380,000,000</u>
Grand Total:	<u><u>432,800,000</u></u>		<u><u>432,800,000</u></u>

VALUATION

Group I — Property interests held by the Group for investment in Hong Kong

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2023
1. 4th and 5th Floors, Roof and Parking Space Nos 3 and 5, Wai Hing Factory Building, 37-41 Lam Tin Street, Kwai Chung, New Territories 3/7 shares of Lot No 321 in Demarcation District 444	<p>Wai Hing Factory Building (the “development”) is situated on the northern side of Lam Tin Street in Kwai Chung of the New Territories, which was completed in 1970.</p> <p>The property comprises 4th and 5th Floors, roof, one car parking space and one lorry parking space on the Ground Floor of the development.</p> <p>Pursuant to the approved building plans, the total gross floor area of the property is approximately 22,500 sq ft (2,090.29 sq m).</p> <p>As per our measurement, the total saleable area of the property is approximately 16,917 sq ft (or 1,571.66 sq m) and the total measured area of the flat roofs and drying shelter is approximately 3,467 sq ft (or 322.10 sq m) and 3,768 sq ft (350.10 sq m) respectively.</p> <p>The property is held under New Grant No 4321 for a term of 99 years commencing from 1 July 1898, which has been statutorily extended until 30 June 2047. The annual Government rent payable for is 3% of the rateable value for the time being.</p>	<p>The property is subject to a single tenancy on a month-to-month basis at a total rental income of approximately HK\$82,000 per month as at the Valuation Date.</p>	<p>HK\$52,800,000 (Hong Kong Dollars Fifty Two Million Eight Hundred Thousand) (100% interest attributable to the Group: HK\$52,800,000)</p>

Notes:

- (1) Pursuant to the land register record obtained from the Land Registry, the registered owner of the property as at the Valuation Date is ENM Holdings Limited.
- (2) The development falls within an area zoned for “Other Specified Uses (Business)” uses under the Draft Kwai Chung Outline Zoning Plan No S/KC/31.
- (3) The property is subject to the following encumbrances:
 - (i) Deed of Covenant vide memorial no TW85268 dated 7 July 1970;
 - (ii) A Layout Plan vide memorial no TW85383 dated 12 August 1970;

- (iii) Rectification of the Plan annexed to M/N 85383 vide memorial no TW113023 dated 27 May 1974;
 - (iv) Duplicate Copy of Order by the Building Authority under S.26 of the Buildings Ordinance vide memorial no TW877844 dated 12 January 1993;
 - (v) Duplicate Copy of Order by the Building Authority under S.28 (3) of the Buildings Ordinance vide memorial no TW877845 dated 12 January 1993;
 - (vi) Letter of Compliance vide memorial no TW999579 dated 8 April 1995; and
 - (vii) Notice No WC/TD00998/10/NT-J03 by the Building Authority under S.24C(1) of the Buildings Ordinance vide memorial no 12070500610276 dated 2 November 2010.
- (4) In the course of our valuation of the property, we have referred to sale transaction of industrial units, which are considered relevant to the property in terms of property type, location, timing of transaction and other property characteristics. The unit rates of the adopted comparable transactions range from about HK\$2,662 to HK\$3,692 per square foot on effective saleable area basis. Adjustments in terms of location, building age, size, loading, and other material factors have been considered to reflect the differences between the comparable transactions and the property, in arriving at the adopted unit rate of the property.
- (5) In the course of our valuation of the property, we have also referred to sale transaction of parking spaces, which are considered relevant to the property in terms of location, timing of transaction and other property characteristics. The unit rates of the adopted comparable transactions range from about HK\$1,380,000 to HK\$2,300,000 per parking space. Adjustments in terms of location, time of transaction and other material factors have been considered to reflect the differences between the comparable transactions and the property, in arriving at the adopted unit rate for each parking space of the property.

Group II — Property interests held by the Group for future development in Hong Kong

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2023
2. Hilltop Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories Lot No 360 in Demarcation District 454 and the Extensions thereto	<p>Hilltop Country Club is situated on the northern side of Hill Top Road in Tsuen Wan of the New Territories.</p> <p>The property comprises an irregularly-shaped lot section and its extensions thereto within Demarcation District 454, with a registered site area of approximately 430,818 sq ft (40,024.00 sq m).</p> <p>There are existing buildings on the site, comprising a 2-storey clubhouse with 1-storey basement, a 3-storey resort lodge with 1-storey car park on basement level and a 2-storey building dedicated for sports use on the property with indoor and outdoor recreational facilities, such as swimming pools and driving range. The existing property also comprises 103 covered car parking spaces and 40 uncovered car parking spaces. The property was completed between 1979 and 1987.</p> <p>The property is held under New Grant No 5399 for a term of 99 years commencing from 1 July 1898, which has been statutorily extended until 30 June 2047. The annual Government rent payable for is 3% of the rateable value of the subject lot.</p>	<p>The property is operating as a members only country club under the trade name “Hilltop Country Club”, subject to a tenancy with the Company’s wholly-owned subsidiary on a month-to-month basis at a total rental income of approximately HK\$700,000 per month as at the Valuation Date.</p> <p>As advised by the Group, the property will be redeveloped into a residential complex together with an ancillary clubhouse and car parking facilities with a total proposed gross floor area of approximately 530,665 sq ft (49,300 sq m).</p>	<p>HK\$380,000,000 (Hong Kong Dollars Three Hundred and Eighty Million)</p> <p>(100% interest attributable to the Group: HK\$380,000,000)</p>

Notes:

- (1) Pursuant to the land register record obtained from the Land Registry, the registered owner of the property as at the Valuation Date is ENM Holdings Limited.
- (2) The property falls within an area zoned for “Residential (Group B) 8” uses under the Draft Tsuen Wan Outline Zoning Plan No S/TW/36.
- (3) The property is subject to the following encumbrances:
 - (i) Letter of Release and Discharge (re: Lot No 360 in D.D.454) vide memorial no TW307028 dated 9 March 1984;
 - (ii) Layout Plan indicating Car Parking Spaces vide memorial no TW185059 dated 10 December 1979;
 - (iii) Extension Letter (re: Extension to Lot No 360 in D.D.454) vide memorial no TW195958 dated 15 July 1980;

- (iv) Modification Letter (re: Lot No 360 in D.D.454 and the Extension Thereto) vide memorial no TW314725 dated 9 May 1984;
- (v) Extension Letter with Plan Re Extension to Lot No 360 in D.D.454 and the Extension Thereto vide memorial no TW370963 dated 28 December 1985;
- (vi) Modification Letter vide memorial no TW383340 dated 22 May 1986;
- (vii) Duplicate Copy of Order Under S. 27A of the Building Ordinance with Plan by the Building Authority vide memorial no TW882586 dated 26 February 1993;
- (viii) Letter of Compliance vide memorial no TW1241708 dated 14 August 1998;
- (ix) Order No BSI6/NT/97 under S. 27C(1) of the Buildings Ordinance with Plan by the Building Authority vide memorial no TW1188275 dated 28 November 1997;
- (x) Letter of Compliance vide memorial no 05112901270010 dated 3 November 2005;
- (xi) Supplemental Order to Order No BSI 6/NT/97 under S.27C(1) of the Building Ordinance by the Building Authority vide memorial no TW1342514 dated 28 March 2000;
- (xii) Order No DH 64NT/02/C under S.27A of the Building Ordinance by the Building Authority with Plan Re Lot No 1237B R.P. in D.D.451 and Ext. to Lot No 360 in D.D. 454 and Ext. vide memorial no TW1484464 dated 27 September 2002;
- (xiii) Letter of Withdrawal (Order No “DH64/NT/02/C”) vide memorial no 17101601040014 dated 6 April 2004;
- (xiv) Order No C/S2/003833/04/NT under S.24(1) of the Buildings Ordinance by the Building Authority with Plan vide memorial no TW1596708 dated 2 September 2004;
- (xv) Letter of Withdrawal vide memorial no 12113000670045 dated 5 November 2012;
- (xvi) Order No DH0166/NT/06/C by the Building Authority under S.27A of the Building Ordinance with Plan vide memorial no 07031401140665 dated 27 December 2006;
- (xvii) Letter of Withdrawal (Order No “DH0166/NT/06/C”) vide memorial no 18072701430024 dated 30 May 2018;
- (xviii) Deed of Grant of Easement with Plan (re: from District Lands Officer/ Tsuen Wan & Kwai Tsing for and on behalf of the Government of the Hong Kong Special Administrative Region) vide memorial no 07041801820122 dated 2 April 2007; and
- (xix) Permission Letter with Plan from District Lands Officer, Tsuen Wan and Kwai Tsing vide memorial no 22051901800111 dated 18 March 2022.

- (4) As advised by the Group, the Company's rezoning application in relation to the property from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8", with stipulation of a maximum gross floor area of 49,300 sq m, was approved by the Chief Executive in Council in February 2022. The Company is in the process of application for a land exchange to the Lands Department. Our valuation is subject to the assumption that the Property is allowed for a land exchange by the Lands Department, subject to the payment of a reasonable land premium, to accommodate the development proposal as provided in the above approval.
- (5) The estimated capital value of the property as if completed as at the Valuation Date according to the development proposal was HK\$8,714,000,000.
- (6) The estimated redevelopment cost, including demolition cost and construction cost, professional fees, assumed land premium and other relevant costs is approximately HK\$6,078,000,000.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The sole director of the Offeror, the directors of Milestone Management Limited together with the directors of Chime Corporation Limited, jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the sole director of the Offeror, the directors of Milestone Management Limited and the directors of Chime Corporation Limited) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued and paid-up share capital of the Company was HK\$1,206,706,969, which comprised 1,650,658,676 Shares;
- (b) all of the Shares currently in issue rank *pari passu* in all respects including as to capital, dividends and voting;
- (c) no new Shares had been issued by the Company since 31 December 2022 (being the end of the last financial year of the Company); and
- (d) there were no outstanding options, warrants or conversion rights affecting the Shares.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date; (iii) on the Last Full Trading Date and (iv) at the end of each month during the Relevant Period:

Date	Closing price per Share HK\$
29 August 2023, being the Latest Practicable Date	0.540
25 May 2023, being the Last Trading Date	0.465
24 May 2023, being the Last Full Trading Date	0.375
At the end of each calendar month during the Relevant Period:	
31 July 2023	0.530
30 June 2023	0.520
31 May 2023	0.465
30 April 2023	0.410
31 March 2023	0.365
28 February 2023	0.390
31 January 2023	0.445
30 December 2022	0.400

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$0.540 per Share as quoted on the Stock Exchange on 6 and 7 June 2023 and 28 and 29 August 2023 and the lowest closing price of the Shares was HK\$0.355 per Share as quoted on the Stock Exchange on 11, 13 and 17 April 2023.
- (c) The Cancellation Price of HK\$0.58 per Scheme Share represents a premium of approximately 24.7% over the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Date.
- (d) The Cancellation Price of HK\$0.58 per Scheme Share represents a premium of approximately 54.7% over the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Full Trading Date.

4. DISCLOSURE OF INTERESTS IN THE SHARES

As at the Latest Practicable Date:

- (a) none of the Directors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (b) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (d) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (e) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) the Offeror legally and beneficially owns, controls or has discretion over 408,757,642 Shares, representing approximately 24.76% of the issued share capital of the Company;
- (g) save as disclosed in the section headed “7. *Shareholding structure of the Company and effect of the Proposal and the Scheme*” in the Explanatory Statement, the sole director of the Offeror was not interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares and no Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares;
- (h) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (i) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any of the Offeror Concert Parties; and
- (j) none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

5. DEALINGS IN THE SHARES

During the Relevant Period:

- (a) no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (e) none of the Offeror, the sole director of the Offeror or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN OFFEROR’S SHARES

As at the Latest Practicable Date:

- (a) the Offeror is indirectly wholly-owned by Chime Corporation Limited; and
- (b) none of the Company and the Directors were interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

7. DEALINGS IN OFFEROR'S SHARES

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (c) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and
- (d) there was no agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder and (2) either (i) the Offeror and the Offeror Concert Parties; or (ii) the Company, its subsidiaries or associated companies.

9. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation required under appropriate laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the offer period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

Name	Qualification
Altus Capital Limited	a corporation licensed under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Optima Capital Limited	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Knight Frank Petty Limited	an independent professional property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

14. MISCELLANEOUS

- (a) Principal members of the Offeror Concert Parties includes:
- (i) Chime Corporation Limited, whose directors are Mr. Choi Wun Hing, Donald, Mr. Wong Hung Han and Mr. Tsang Tin For;
 - (ii) Parasia Limited, which is wholly-owned by Chime Corporation Limited and whose sole director is Mr. Tsang Tin For;
 - (iii) Milestone Management Limited, which is indirectly wholly-owned by Chime Corporation Limited and whose directors are Mr. Wong Hung Han and Mr. Tsang Tin For;
 - (iv) Diamond Leaf Limited, which is wholly-owned by Parasia Limited and whose sole director is Milestone Management Limited;
 - (v) Mr. Wong Hung Han, Mr. Choi Wun Hing, Donald and Mr. Tsang Tin For, being directors of one or more of the Offeror Concert Parties; and
 - (vi) Mr. Jong Yat Kit and Mr. Wong Tak Wai, being professional administrators appointed by the High Court of Hong Kong as the joint and several administrators of each of the estates of Ms. Nina Kung and Mr. Wang Teh Huei. Chime Corporation Limited is owned as to 99.77% by the estate of Ms. Nina Kung and 0.23% by the unadministered estate of Mr. Wang Teh Huei.

For more information on the Offeror Concert Parties, please refer to the section headed “14. Information on the Offeror” in the Explanatory Statement of this Scheme Document.

- (b) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the correspondence address of the Offeror is at 35-38/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.
- (c) The correspondence address of the principal members of the Offeror Concert Parties, being Chime Corporation Limited, Parasia Limited, Milestone Management Limited, Diamond Leaf Limited, Mr. Wong Hung Han, Mr. Choi Wun Hing, Donald, Mr. Tsang Tin For, Mr. Jong Yat Kit and Mr. Wong Tak Wai, is at 35-38/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.
- (d) The registered office of the Company is at Suites 3301-3302, 33/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.
- (e) The registered office of Altus Capital is at 21 Wing Wo Street, Central, Hong Kong.

- (f) The registered office of the Independent Financial Adviser is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (g) The company secretary of the Company is Ms. Pui Man CHENG, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, and a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (h) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the registered office of the Company at Suites 3301-3302, 33/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time), (2) on the website of the Company at www.enmholdings.com and (3) on the website of the SFC at <http://www.sfc.hk>:

- (a) the memorandum and articles of association of the Offeror;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2021 and 2022;
- (d) the letter from the Board, the text of which is set out on pages 15 to 27 of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 84 of this Scheme Document;
- (g) the property valuation report prepared by Knight Frank Petty Limited, the text of which is set out on pages 112 to 123 of this Scheme Document;
- (h) the written consents referred to in the section headed “13. *Experts and Consents*” in Appendix III — General Information;
- (i) the material contracts referred to in the section headed “12. *Material Contracts*” in Appendix III — General Information; and
- (j) this Scheme Document.

SCHEME OF ARRANGEMENT

HCMP No. 1344

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1344 OF 2023
IN THE MATTER OF
ENM HOLDINGS LIMITED**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

**SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance
Chapter 622 of the Laws of the Hong Kong Special Administrative Region**

PRELIMINARY

In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

acting in concert	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
Cancellation Price	means the cancellation price of HK\$0.58 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
Companies Ordinance	means the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	means ENM Holdings Limited, a limited company incorporated in Hong Kong whose Shares are listed on the Stock Exchange (Stock Code: 128)
Effective Date	means the date on which this Scheme becomes effective in accordance with paragraph 6 of this Scheme
High Court	means the High Court of Hong Kong
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong

SCHEME OF ARRANGEMENT

Hong Kong	means Hong Kong Special Administrative Region of the People's Republic of China
Latest Practicable Date	means 29 August 2023, being the latest practicable date prior to the printing of the Scheme Document for ascertaining certain information contained herein
New Shares	means the new Shares to be issued to the Offeror pursuant to this Scheme, the number of which is equal to the number of the Scheme Shares cancelled
Offeror	means Solution Bridge Limited, a company incorporated under the laws of British Virgin Islands with limited liability
Offeror Concert Parties	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of "acting in concert" under the Takeovers Code, including Chime Corporation Limited, Parasia Limited, Milestone Management Limited, Diamond Leaf Limited, Mr. Wong Hung Han, Mr. Choi Wun Hing, Donald, Mr. Tsang Tin For, Mr. Jong Yat Kit and Mr. Wong Tak Wai
Record Date	Monday, 30 October 2023
Register	means the register of members of the Company
Scheme	means this scheme of arrangement under Section 673 of the Companies Ordinance (with or subject to any modification thereto or condition approved or imposed by the High Court) between the Company and the Scheme Shareholders involving, <i>inter alia</i> , the cancellation of all the Scheme Shares and the issue of the New Shares to the Offeror
Scheme Document	means the scheme document dated 1 September 2023 issued jointly by the Company and the Offeror, which includes this Scheme
Scheme Shares	means the Shares other than those beneficially owned by the Offeror and parties acting in concert with it
Scheme Shareholders	means the registered holders of the Scheme Shares
Shares	means ordinary shares in the capital of the Company
Shareholders	means the registered holders of the Shares
Stock Exchange	means The Stock Exchange of Hong Kong Limited
Takeovers Code	means the Hong Kong Code on Takeovers and Mergers

SCHEME OF ARRANGEMENT

As at the Latest Practicable Date, the issued share capital of the Company was 1,650,658,676 Shares.

On the Latest Practicable Date, the Offeror and parties acting in concert with it owned or controlled 730,974,145 Shares, representing approximately 44.28% of the issued Shares.

Parties acting in concert with the Offeror held an aggregate of 322,216,503 Shares as at the Latest Practicable Date. The Shares beneficially owned by the Offeror Concert Parties will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective in exchange for the payment of the Cancellation Price.

In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register on the Record Date shall be entitled to receive HK\$0.58 in cash for every Scheme Share cancelled.

The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

The primary purpose of this Scheme is that on the Effective Date, all the Scheme Shares should be cancelled and extinguished, the New Shares be created and issued to the Offeror, and that the Company will become wholly-owned by the Offeror and the Offeror Concert Parties.

THE SCHEME OF ARRANGEMENT

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of New Shares as is equal to the number of Scheme Shares cancelled; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full such number of New Shares as is equal to the number of Scheme Shares cancelled which shall be allotted and issued to the Offeror and the Offeror Concert Parties, credited as fully paid.

SCHEME OF ARRANGEMENT

PART II CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme, the Offeror will pay or cause to be paid to each Scheme Shareholder as appearing in the Register on the Record Date, HK\$0.58 for every Scheme Share cancelled.

PART III GENERAL

3. (a) Not later than seven business days (as defined in the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register on the Record Date) cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
- (b) Unless indicated otherwise in writing before the Effective Date to the share registrar of the Company in Hong Kong (being Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to the persons entitled thereto:
- (i) in the case of sole holders, to the respective registered address of such holders as appearing in the Register on the Record Date; and
- (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and once posted, none of the Company, the Offeror nor any of their respective officers or agents shall be liable for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cause cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of which

SCHEME OF ARRANGEMENT

they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror (or any successor company thereto) shall be released from any further obligations to make any payments under this Scheme and the Offeror shall thereafter retain the balance (if any) of the sums standing to the credit of the account referred to in paragraph 3(e) of this Scheme, including accrued interest (if any) subject, if applicable, to the deduction of interest or any withholding or other tax or any other deductions required by law and subject also to the deduction of any expenses.
- (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

4. As from and including the Effective Date:

- (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
- (b) all instruments of transfer validly subsisting on the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
- (c) all mandates or other instructions to the Company in force on the Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

5. This Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme and confirming, under Section 229 of the Companies Ordinance, the reduction of capital provided for by this Scheme, together with a minute and a return relating to the reduction of capital of the Company containing the particulars required by Section 230 of the Companies Ordinance, shall have been registered by the Registrar of Companies in Hong Kong.

6. Unless this Scheme shall have become effective on or before 1 December 2023 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), this Scheme shall lapse.

SCHEME OF ARRANGEMENT

7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the High Court may see fit to approve or impose without any further court meeting to be held therefor.
8. Irrespective of whether this Scheme will become effective, the Company will bear its own expenses incurred in connection with this Scheme.

Dated 1 September 2023

NOTICE OF COURT MEETING

HCMP No. 1344/2023

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1344 OF 2023
IN THE MATTER
OF
ENM HOLDINGS LIMITED
安寧控股有限公司**

AND

**IN THE MATTER
OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance
Chapter 622 of the Laws of Hong Kong Special Administrative Region**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 30 August 2023 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the registered holders of the shares (the “**Shares**”) of ENM Holdings Limited (the “**Company**”) (other than those beneficially owned by the Offeror and the Offeror Concert Parties (as defined in the Scheme)) (the “**Scheme Shares**”) for the purposes of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the registered holders of the Scheme Shares (the “**Scheme Shareholders**”), and that the Meeting will be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 10:30 a.m. at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), are incorporated in the scheme document of which this Notice forms part (the “**Scheme Document**”), which has been despatched by post to the Scheme Shareholders having their registered addresses in Hong Kong and by courier to overseas Scheme Shareholders having their registered addresses outside Hong Kong. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during normal business hours on any day (other than a Saturday, a Sunday or a public holiday in Hong Kong) prior to the day appointed for the Meeting from (a) the Company at Suites 3301-3302, 33/F, Tower 2, Nina

NOTICE OF COURT MEETING

Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong and (b) the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Scheme Document is also available for inspection on the website of the Company at www.enmholdings.com from 1 September 2023 onwards.

In compliance with the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), Shares held by Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting and, hence, only Shares held by Scheme Shareholders are eligible for voting thereat.

The Scheme Shareholders may vote in person at the Meeting or they may appoint one or more persons, whether a member of the Company or not, as their proxy or proxies to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the Scheme Document despatched to the Scheme Shareholders on 1 September 2023. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.

In the case of joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy or by representative, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the Share.

It is requested that form(s) appointing proxy or proxies, together with the power of attorney or other authority under which they are signed (if any) or a notarially certified copy thereof (in the case of a corporation either under its seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. Alternatively, the form of proxy may be handed to the Chairperson at the Meeting before the taking of the poll, who shall have absolute discretion as to whether or not to accept it. Proxy forms sent electronically or by any other data transmission process will not be accepted.

Completion and return of the form of proxy will not preclude a Scheme Shareholder from attending the Meeting and voting in person or any adjournment thereof. In such event, his/her form of proxy will be deemed to be revoked.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 18 September 2023 to Tuesday, 26 September 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on Friday, 15 September 2023.

NOTICE OF COURT MEETING

By the Order, the High Court has appointed Mrs. Penny Soh Peng CROSBIE-WALSH or, failing her, Mr. Kiu Sang Baldwin LEE, both being directors of the Company, to act as Chairperson of the Meeting and has directed the Chairperson of the Meeting to report the outcome thereof to the High Court.

If approved at the Meeting, the Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document despatched to the Scheme Shareholders on 1 September 2023.

Note:

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:30 a.m. on Tuesday, 26 September 2023 and/or the Hong Kong Observatory has announced at or before 8:30 a.m. on Tuesday, 26 September 2023 that any of the above mentioned warnings is to be issued within the next two hours, the Court Meeting shall (1) automatically be postponed to the next Business Day (as defined in the Scheme) on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:30 a.m. to 10:30 a.m. and in such case the Court Meeting shall be held at 10:30 a.m. on that Business Day or (2) an alternative day to be announced that falls within seven business days of the original date scheduled for the Court Meeting. For the avoidance of doubt, the Court Meeting will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. The Scheme Shareholders should make their own decision as to whether to attend the Court Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

Dated the 1st day of September 2023.

Herbert Smith Freehills

Solicitors for the Company
23rd Floor
Gloucester Tower
15 Queen’s Road Central
Hong Kong

As at the date of this notice, the Board comprises:

- *Executive Director*
Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer)
- *Non-executive Directors*
Mr. Hung Han WONG (Non-executive Chairman) and Mr. David Charles PARKER
- *Independent Non-executive Directors*
Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O’DONNELL.

Please also refer to the published version of this notice in The Standard in English and the Hong Kong Economic Times in Chinese on 1 September 2023.

NOTICE OF EGM



ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 128)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of ENM Holdings Limited (the “**Company**”) will be held at Hill Top Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Tuesday, 26 September 2023 at 11:00 a.m. (or if later immediately after the conclusion or adjournment of the meeting of the registered holders of the shares of the Company (other than those beneficially owned by Solution Bridge Limited (the “**Offeror**”) and parties acting in concert with it (as defined in the Scheme referred to below) convened at the direction of the High Court of Hong Kong Special Administrative Region for the same day and place) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

“**THAT:**

- (A) the proposed scheme of arrangement dated 1 September 2023 (the “**Scheme**”) under section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) between the Company and Scheme Shareholders (as defined in the Scheme) in the form of the print contained in the scheme document dated 1 September 2023 (the “**Scheme Document**”), which has been produced to this EGM and for the purposes of identification been signed by the Chairperson of this EGM, with any modification of or addition to it or in such other form and on such terms and conditions as may be approved or imposed by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”), be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the date on which the Scheme becomes effective in accordance with the Companies Ordinance:
 - (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
 - (ii) subject to and forthwith upon the said reduction of capital taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of new shares of the Company (the “**New Shares**”) as is equal to the number of Scheme Shares cancelled; and

NOTICE OF EGM

- (iii) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up in full the New Shares which shall be allotted and issued to the Offeror, credited as fully paid;
- (C) any one of the directors of the Company be and is hereby authorised to make application to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the withdrawal of the listing of the Company’s shares on the Stock Exchange, subject to the Scheme taking effect; and
- (D) any one of the directors of the Company be and is hereby unconditionally authorised to allot and issue the shares referred to in paragraph (B)(iii) above and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital, including (without limitation) the giving, on behalf of the Company, of consent to any modifications of, or additions to, the Scheme, which the High Court may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the proposal for the privatisation of the Company by the Offeror by way of the Scheme as a whole.”

By order of the Board of
ENM HOLDINGS LIMITED
安寧控股有限公司
Penny Soh Peng CROSBIE-WALSH
Executive Director and Chief Executive Officer

Hong Kong, 1 September 2023

Notes:

- (i) At the EGM, the above resolution will be voted on by way of poll.
- (ii) A white form of proxy for use at the EGM is enclosed with the Scheme Document.
- (iii) A member entitled to attend and vote at the EGM is entitled to appoint one or more persons, whether a member of the Company or not, as his/her proxy or proxies to attend and vote instead of him/her. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
- (iv) In order to be valid, the white form of proxy, together with the power of attorney or other authority under which it is signed (if any) or a notarially certified copy thereof (in the case of a corporation, either under its seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, must be deposited with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Alternatively, the form of proxy may be handed to the Chairperson at the EGM before the taking of the poll, who shall have absolute discretion as to whether or not to accept it. Proxy forms sent electronically or by any other data transmission process will not be accepted. Completion and return of the white form of proxy will not preclude a member from attending the EGM or any adjournment thereof and voting in person. In such event, his/her form of proxy shall be deemed to be revoked.

NOTICE OF EGM

- (v) In the case of joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy or by representative, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
- (vi) For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 18 September 2023 to Tuesday, 26 September 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 15 September 2023.
- (vii) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 9:00 a.m. on Tuesday, 26 September 2023 and/or the Hong Kong Observatory has announced at or before 9:00 a.m. on Tuesday, 26 September 2023 that any of the above mentioned warnings is to be issued within the next two hours, the EGM shall (1) automatically be postponed to the next Business Day (as defined in the Scheme) on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 9:00 a.m. to 11:00 a.m. and in such case the EGM shall be held at 11:00 a.m. on that Business Day or (2) an alternative day to be announced that falls within seven business days of the original date scheduled for the EGM. For the avoidance of doubt, the EGM will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. The Shareholders should make their own decision as to whether to attend the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

As at the date of this notice, the Board comprises:

- *Executive Director*
Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer)

- *Non-executive Directors*
Mr. Hung Han WONG (Non-executive Chairman) and Mr. David Charles PARKER

- *Independent Non-executive Directors*
Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL.