

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form of Acceptance 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 Modern Living Investments Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Share Offer.



亞洲聯合基建控股有限公司

ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 00711.HK)

Chun Wo Overseas Holdings Limited

(Incorporated in Cayman Islands with Limited Liability)



雅居物業管理
Modern Living Property Management

Modern Living Investments Holdings Limited

雅居投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8426)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CHUN WO OVERSEAS HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MODERN LIVING INVESTMENTS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror



SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee



綽耀資本
REDSOLAR

Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Somerley containing, among other things, details of the terms of the Share Offer, is set out on pages 11 to 22 of this Composite Document.

A letter from the Board is set out on pages 23 to 37 of this Composite Document. A letter from the Independent Board Committee is set out on pages 38 to 39 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 40 to 68 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer and other relevant information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance must be received by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Tuesday, 26 March 2024 (Hong Kong time), (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "IMPORTANT NOTICE" in this Composite Document before taking any action. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from such Overseas Shareholder in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Share Offer.

This Composite Document will remain on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.modernliving.com.hk as long as the Share Offer remains open.

5 March 2024

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
IMPORTANT NOTICE	3
DEFINITIONS	4
LETTER FROM SOMERLEY	11
LETTER FROM THE BOARD	23
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	38
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	40
APPENDIX I — FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE SHARE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION RELATING TO THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE GROUP	III-1
APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR	IV-1
APPENDIX V — LETTERS FROM THE AUDITOR AND RED SOLAR ON THE PROFIT FORECAST OF THE GROUP	V-1
<i>Accompanying documents — Form of Acceptance</i>	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong time and dates.

Event	Time & Date 2024
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Share Offer (<i>Note 1</i>).....	Tuesday, 5 March
Share Offer opens for acceptance (<i>Note 1</i>).....	Tuesday, 5 March
Latest time and date for acceptance of the Share Offer (<i>Notes 2, 3 and 5</i>).....	by 4:00 p.m. on Tuesday, 26 March
Closing Date (<i>Notes 3 and 5</i>)	Tuesday, 26 March
Announcement of the results of the Share Offer (or its extension or revision, if any) as at the Closing Date, to be posted on the website of the Stock Exchange (<i>Notes 3 and 5</i>)	no later than 7:00 p.m. on Tuesday, 26 March
Latest date for posting of remittances in respect of valid acceptances received on or before the latest time and date for acceptance under the Share Offer (<i>Notes 4 and 5</i>).....	Tuesday, 9 April

Notes:

1. The Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror decides to revise or extend the Share Offer in accordance with the Takeovers Code. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “6. Right of Withdrawal” in Appendix I to this Composite Document.
2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
3. In accordance with the Takeovers Code, the Share Offer must initially be open for acceptance for at least 21 days after the date of this Composite Document is posted. The latest time and date for acceptance of the Share Offer is 4:00 p.m. on Tuesday, 26 March 2024 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. An announcement will be issued jointly by the Offeror and the Company through the website of the Stock Exchange by no later than 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Share Offer, all Independent Shareholders, whether or not they

EXPECTED TIMETABLE

have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms. The revised Share Offer must be kept open for at least 14 days after the date of the revised offer document(s) are posted and shall not close earlier than the Closing Date.

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer will be despatched to the Independent Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) HKEx Business Days after the date of receipt of all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code.
5. The latest time and date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning signal", or "extreme condition" caused by super typhoon, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances. In such cases, the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. on the following HKEx Business Day and the date of posting of remittances will be rescheduled to the following HKEx Business Day which does not have either of those warnings or condition in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

Save as mentioned above, if the latest time for acceptance of the Share Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of joint announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Share Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements and, where necessary, seek legal advice in respect of the Share Offer.

It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Share Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, legal and/or regulatory requirements and the payment of any issue, transfer, cancellation or other taxes and duties due by such Overseas Shareholders in respect of the acceptance of the Share Offer in such jurisdictions.

The Offeror and the parties acting in concert with it, the Company, Somerley, Red Solar, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Share Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes or duties as such persons may be required to pay. Please see the paragraphs headed “Overseas Shareholders” in the “Letter from Somerley” and “7. Overseas Shareholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules, the GEM Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meaning:

“1st Deferred Consideration”	a sum of HK\$10,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“2nd Deferred Consideration”	a sum of HK\$10,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“3rd Deferred Consideration”	a sum of HK\$9,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“2024 Net Profit”	means the net profit after tax of the Company for the year ending 31 December 2024 on the Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2024
“2025 Net Profit”	means the net profit after tax of the Company for the year ending 31 December 2025 on the Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2025
“2026 Net Profit”	means the net profit after tax of the Company for the year ending 31 December 2026 on the Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2026
“AAI”	Asia Allied Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711)
“AAI Group”	AAI and its subsidiaries
“Acquisition”	the proposed acquisition of the Sale Shares by the Offeror from the Vendors pursuant to the Sale and Purchase Agreement
“acting in concert”	has the meaning given in the Takeovers Code

DEFINITIONS

“Affiliate”	of a specified person means any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person or, in the case of a natural person, such person’s spouse, parents and descendants (whether by blood or adoption and including stepchildren); and for the purpose of defining “Affiliate”, each of the terms “control”, “controls”, “controlled” (or any correlative term) means the possession, directly or indirectly, of the power to direct or cause the direction of the management of a person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise, and a person shall be deemed to control another person if such first person, directly or indirectly, owns or holds more than 50% of the voting equity interests in such other person
“associate(s)”	has the meaning given in the Takeovers Code
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of Directors
“Businesses”	the businesses of any member of the Group in providing property management services
“Business Day(s)”	a day (not being a Saturday, Sunday, public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning or “extreme conditions” announced by the Government of Hong Kong is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) when banks generally are open in Hong Kong for the transaction of general banking business
“Cash and Equivalents”	(a) pledged bank deposits, (b) short term bank deposits and (c) cash and cash equivalents of the Group
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Client”	an individual or entity to whom any member of the Group has provided services in Hong Kong in respect of the Businesses as at the date of the Sale and Purchase Agreement, within two years prior to the commencement of and during the Non-Compete Period

DEFINITIONS

“Closing Date”	Tuesday, 26 March 2024, being the closing date of the Share Offer, which is no less than 21 days after the date of this Composite Document, or if the Share Offer is extended, any subsequent closing date of the Share Offer as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“Company”	Modern Living Investments Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued ordinary shares of which are listed on GEM of the Stock Exchange (stock code: 8426)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Announcement”	the announcement jointly published by AAI, the Offeror and the Company dated 21 February 2024 in relation to, among other things, the completion of the Acquisition
“Completion Date”	the third (3rd) Business Day, or such other date as the Vendors and the Offeror may agree, after fulfilment (or waiver where applicable) of all the conditions precedent set out in the section headed “Sale and Purchase Agreement — Conditions Precedent” in the Letter from the Board (i.e. 21 February 2024)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders in connection with the Share Offer in compliance with the Takeovers Code containing, among other things, details of the Share Offer (accompanied by the Form of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“Consideration”	the consideration for the Sale Shares
“Deferred Consideration”	means any of the 1st Deferred Consideration, 2nd Deferred Consideration and 3rd Deferred Consideration
“Designated Assets”	the financial assets of the Group as presented in 2022 annual report of the Company, save for normal depreciation or amortisation of the assets of the Group in accordance with accounting policies adopted by the Company and HKFRSs (if applicable)
“Director(s)”	director(s) of the Company

DEFINITIONS

“Encumbrance(s)”	includes without any limitation, with respect to any asset, any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set-off, counterclaim, trust arrangement or other security or any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong))
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Forecast Financial Information”	the financial information in the profit forecast in respect of the Profit Targets
“Forecast Period”	the three years ending 31 December 2026
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKEx Business Day”	a day on which the Stock Exchange is open for the transaction of business
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Housing Authority”	Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong)
“Independent Board Committee”	the independent committee of the Company, comprising Mr. Wong Siu Fai Albert, Mr. Ng Kee Fat Ronny and Mr. Wong Bay, being the independent non-executive directors of the Company, formed for the purpose of advising the Independent Shareholders in respect of the Share Offer

DEFINITIONS

“Independent Financial Adviser” or “Red Solar”	Red Solar Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Share Offer
“Independent Shareholder(s)”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by AAI, the Offeror and the Company dated 31 January 2024 in relation to, among other things, the Share Offer pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Day”	26 January 2024, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	1 March 2024, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ho”	Mr. Ho Chu Ming
“Mr. Ng”	Mr. Ng Fuk Wah
“Mr. Tang”	Mr. Tang Kong Fuk
“Non-Compete Period”	a period of 3 years after Completion
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 31 January 2024 (i.e. the date of the Joint Announcement), and ending on the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Share Offer in accordance with the Takeovers Code
“Offer Share(s)”	the Shares that are subject to the Share Offer
“Offeror”	Chun Wo Overseas Holdings Limited, a company incorporated in Cayman Islands with limited liability

DEFINITIONS

“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PMSA”	Property Management Services Authority of Hong Kong
“Profit Targets”	the targets for the 2024 Net Profit, the 2025 Net Profit and the 2026 Net Profit which trigger the Offeror’s obligation to pay the relevant Deferred Consideration under the Sale and Purchase Agreement, as set out in the section headed “Sale and Purchase Agreement — Consideration” in the Joint Announcement
“PRC”	The People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, Macau and Taiwan
“R5A”	R5A Group Limited, a company incorporated in the British Virgin Islands, the share capital of which is ultimately owned as to 55.34% by Ms. Tam Mo Kit (the spouse of Mr. Ng and the non-executive Director), 16.40% by Mr. Sung Alfred Lee Ming (the executive Director), 14.07% by Mr. Ho, 12.91% by Mr. Tang and 1.28% by Mr. Ho Tik Wai
“Reference Period”	the period from 31 July 2023, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Registrar”	Tricor Investor Services Limited, being the Hong Kong branch share registrar of the Company and receiving agent for receiving and processing the acceptance of the Share Offer, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period from 1 January 2023 to the Completion Date
“relevant securities”	as defined in Note 4 to Rule 22 of the Takeovers Code
“Remaining Shares”	80,000,000 Shares which will remain to be legally and beneficially owned by R5A immediately after Completion
“Sale and Purchase Agreement”	the share purchase agreement dated 26 January 2024 entered into among the Offeror and the Vendors in relation to the Acquisition

DEFINITIONS

“Sale Shares”	473,870,000 Shares acquired by the Offeror from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement, representing approximately 59.23% of the issued share capital of the Company as at the Latest Practicable Date
“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)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the mandatory unconditional cash offer to be made by Somerley, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Share Offer Price”	the price of HK\$0.350 per Offer Share
“Somerley”	Somerley Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Undertaken Period”	the period from 1 January 2023 to the Completion Date
“Vendors”	collectively, R5A, Mr. Ng, Mr. Ho and Mr. Tang
“%”	per cent.

LETTER FROM SOMERLEY



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 March 2024

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CHUN WO OVERSEAS HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MODERN LIVING INVESTMENTS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the Completion Announcement in relation to, among other things, Sale and Purchase Agreement and the Share Offer.

As mentioned in the Joint Announcement, on 26 January 2024 (after trading hours), the Offeror (as purchaser) and the Vendors entered into Sale and Purchase Agreement pursuant to which the Vendors agreed to sell, and the Offeror agreed to purchase, the Sale Shares, being 473,870,000 Shares which represent approximately 59.23% of the total issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). A sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A in stages if the Profit Targets are satisfied.

Completion took place on 21 February 2024. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it (excluding the Vendors) held a total of 473,870,000 Shares, representing approximately 59.23% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Somerley is making the Share Offer on behalf of the Offeror. This letter forms part of this Composite Document and sets out, among other things, details of the Share Offer, information on the Offeror, its intentions in relation to the Company and changes to the Board composition. Further details on the terms and the procedures for acceptance of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The

LETTER FROM SOMERLEY

Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the appendices to this Composite Document and the accompanying Form of Acceptance, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Share Offer.

THE SHARE OFFER

Somerley, for and on behalf of the Offeror and pursuant to the Takeovers Code, is making the Share Offer on the following basis:

For each Offer Share HK\$0.350 in cash

The Share Offer Price is the same as the maximum price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer is unconditional in all respects and extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. However, as mentioned in paragraph (1) in the section headed “The Vendors’ undertakings” below, R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Company held or controlled by R5A during the Offer Period. The Offer Shares to be acquired under the Share Offer will be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (i) the Company has not declared any dividend which remains unpaid; and (ii) it does not have any intention to make, declare or pay any future dividend/ make other distributions on or before the close of the Share Offer.

Further details of the terms of the Share Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Share Offer Price

The Share Offer Price is the same as the maximum price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer Price of HK\$0.350 per Offer Share represents:

- (i) a premium of approximately 1.45% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 22.81% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 26 January 2024, being the Last Trading Day;

LETTER FROM SOMERLEY

- (iii) a premium of approximately 25.45% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.279 per Share;
- (iv) a premium of approximately 38.34% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.253 per Share;
- (v) a premium of approximately 73.27% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.202 per Share;
- (vi) a premium of approximately 86.17% to the audited consolidated net assets per Share of approximately HK\$0.188 as at 31 December 2022, calculated based on the Group's audited consolidated net assets of approximately HK\$150,291,000 as at 31 December 2022 as disclosed in the annual report of the Company published on 30 March 2023 and 800,000,000 Shares in issue as at 31 December 2022;
- (vii) a premium of approximately 73.27% to the unaudited consolidated net assets per Share of approximately HK\$0.202 as at 30 June 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$161,349,000 as at 30 June 2023 as disclosed in the interim report of the Company published on 10 August 2023 and 800,000,000 Shares in issue as at 30 June 2023; and
- (viii) a premium of approximately 80.41% to the unaudited consolidated net assets per Share of approximately HK\$0.194 as at 30 September 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$154,905,000 as at 30 September 2023 as disclosed in the third quarterly report of the Company published on 14 November 2023 and 800,000,000 Shares in issue as at 30 September 2023.

Highest and lowest Share prices

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the period commencing 6 months before the offer period and ending on the Latest Practicable Date were HK\$0.345 per Share on trading days from 22 February 2024 to 1 March 2024 and HK\$0.147 per Share on 11 October 2023 respectively.

LETTER FROM SOMERLEY

The Vendor's undertakings

Immediately after the Completion and as at the Latest Practicable Date, R5A (one of the Vendors) held 80,000,000 Remaining Shares, representing approximately 10.00% of the issued share capital of the Company as at the Latest Practicable Date. The Vendors have given the following undertakings to the Offeror in the Sale and Purchase Agreement:

- (1) Non-acceptance of Share Offer: R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Company held or controlled by R5A during the offer period (as defined in the Takeovers Code).
- (2) Non-disposal: R5A shall not sell, transfer or otherwise dispose of, or create any Encumbrance over, any of the Remaining Shares or any economic interests in the Remaining Shares for a period commencing on the date of the Sale and Purchase Agreement and expiring on the day falling 36 months after the Completion Date. There is no agreement between the Offeror and R5A as to how R5A may dispose of the Remaining Shares after the above-mentioned 36 months' period.
- (3) No material adverse change: The Vendors undertake that, during the Relevant Period, there shall not be any material write off nor shall there be any material accounting provision for probable loss pursuant to HKFRSs made to (A) any of the claims or proceedings against the Group or any of the existing litigations set out in the Sale and Purchase Agreement; (B) the Group's business of providing property management services; and (C) the value of the Designated Assets.

This undertaking shall not apply to (a) any new litigation, claim or proceedings made against the Group after the Completion Date; (b) any new contract of property management services entered into by the Group after the Completion Date; (c) any new financial assets acquired by the Group after the Completion Date; (d) any change or development or any event or series of events, matters or circumstances in relation to any Designated Asset which is unforeseeable and unforeseen, or uncontrollable by the Group at the Completion Date but the occurrence of which during the Relevant Period will result in the making of a material write off or a material provision to the Designated Asset during the Relevant Period.

- (4) The Vendors undertake that the total amount of the Cash and Equivalents as at the Completion Date shall not be less than HK\$100 million.
- (5) In respect of property management practitioner licences:
 - (a) Mr. Ho undertakes to maintain his Property Management Practitioner (Tier 1) Licence granted by the PMSA for a period commencing on the date of the Sale and Purchase Agreement and ending on the date falling 36 months from the Completion Date.

LETTER FROM SOMERLEY

- (b) Mr. Tang undertakes to maintain his Property Management Practitioner (Tier 2) Licence granted by the PMSA for a period commencing on the date of the Sale and Purchase Agreement and ending on the date falling 36 months from the Completion Date.
 - (c) Mr. Ho, Mr. Tang and R5A undertake that the Group will maintain sufficient holders of Property Management Practitioner Licences granted by the PMSA, as required by law, during the contract term (including the potential extension thereof) of each property management contract to which a member of the Group is party as at the date of the Sale and Purchase Agreement. As at the Latest Practicable Date, the Group maintains sufficient holders of Property Management Practitioner Licences for all of its current property management contracts.
- (6) The purchaser shall appoint the auditor of the Company to certify, within 30 Business Days after the Completion, the total amount of Cash and Equivalents as at the Completion Date. In the event that the total amount of Cash and Equivalents as at the Completion Date is less than HK\$100 million, then the Vendors shall pay to the Offeror in cash within 10 Business Days from the aforesaid certification an amount which is equivalent to the product of (x) the aggregate amount of the shortfall in the Cash and Equivalents as at the Completion Date below HK\$100 million times (y) 59.23%.
- (7) Each of the Vendors undertakes and covenants that for the Non-Compete Period, neither it/he nor any of its/his Affiliates shall:
- (a) either on its/his own account or through any of its/his Affiliates, or in conjunction with or on behalf of any other person, be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with the Business in Hong Kong; and
 - (b) either on its/his own account or through any of its/his Affiliates or in conjunction with or on behalf of any other person, employ, solicit or entice away or attempt to employ, solicit or entice away from any member of the Group any person for the purpose of carrying on any business in direct competition with the Business in Hong Kong who is or shall have been at the date of or within twelve (12) months prior to such cessation a director, officer, legal representative, manager or employee of any such member of the Group whether or not such person would commit a breach of contract by reason of leaving such employment.

LETTER FROM SOMERLEY

- (8) During the Non-Compete Period, other than in connection with his or her employment with and for the benefit of the Group, directly or indirectly, either individually or as a principal, partner, member, manager, agent, employee, employer, consultant, independent contractor, stockholder, joint venturer or investor, or as a director or officer of any corporation, limited liability company, partnership or other entity, or in any other manner or capacity whatsoever, none of the Vendors nor any of its/his Affiliates (as procured by any Vendor) shall:
- (a) solicit or divert or attempt to solicit or divert from the Group any business with any Client;
 - (b) solicit or divert or attempt to solicit or divert from the Group any business with any person or entity who was being solicited as a Client by the Group;
 - (c) induce or cause, or attempt to induce or cause, any salesperson, supplier, vendor, representative, independent contractor, broker, agent or other person transacting business with any member of the Group to terminate or modify such relationship or association or to represent, distribute or sell services in competition with services of the Group; or
 - (d) otherwise provide any services to any Client that are or have been provided by any member of the Group.

Save as disclosed above, there are no restrictions on the disposition of the Remaining Shares held by R5A under the terms of the Sale and Purchase Agreement after the close of the offer period (as defined in the Takeovers Code) nor other arrangement between the Offeror and R5A regarding the Remaining Shares.

Value of the Share Offer

As at the Latest Practicable Date, the Company had 800,000,000 Shares in issue and the Company did not have any outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares. The Company also had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the Shares as at the Latest Practicable Date. On the basis of the Share Offer Price of HK\$0.350 per Share and 246,130,000 Shares subject to the Share Offer (excluding (a) the 473,870,000 Sale Shares acquired by the Offeror and parties acting in concert with it and (b) the 80,000,000 Remaining Shares), the Share Offer is valued at approximately HK\$86,145,500.

Confirmation of financial resources

R5A, holding 80,000,000 Remaining Shares upon Completion, has undertaken in the Sale and Purchase Agreement not to accept the Share Offer. Therefore the Offeror's maximum amount of cash payable for the full acceptance of the Share Offer shall not be more than HK\$86,145,500, assuming there is no change in the total number of Shares in issue from the Latest Practicable Date up to the close of the Share Offer.

LETTER FROM SOMERLEY

The Offeror will finance the Share Offer by the loan facility from Chong Hing Bank. The Offeror does not intend that the repayment of the loan facility will depend to any significant extent on the business of the Group. Somerley, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Share Offer.

PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Share Offer.

The duly completed and signed Form of Acceptance, should be sent by post or by hand, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Modern Living Investments Holdings Limited — Share Offer”, on the envelope, as soon as possible and in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to “Further terms and procedures of acceptance of the Share Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Effect of accepting the Share Offer

As at the Latest Practicable Date, the Company has not declared any dividend or any other distribution which is not yet paid.

By accepting the Share Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attaching thereto on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document, including but not limited to the rights to receive all dividends and distributions declared, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date of the Composite Document.

No distributions or dividends shall be declared as a result of the Sale and Purchase Agreement and as at the Latest Practicable Date, the Company has no plan to declare, recommend, or pay any dividends or make any other distributions on the Shares from the Latest Practicable Date up to the close of the Share Offer.

LETTER FROM SOMERLEY

PAYMENT

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but within 7 HKEx Business Days after the date on which the duly completed acceptance of the Share Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar or for the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code. No fractions of a cent will be payable and the amount of the consideration payable to any Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

Nominee registration

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions of their intentions with regard to the Share Offer to their nominees.

Overseas Shareholders

As at the Latest Practicable Date, the Company confirms that no Shareholder is a resident outside Hong Kong, but it does not exclude the possibility that there may be Shareholders being residents outside Hong Kong during the period when the Share Offer is made.

As the Share Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and overseas beneficial owners of the Shares will be deemed to constitute a representation and warranty from such Overseas Shareholders or overseas beneficial owners of the Shares, as applicable, to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and overseas beneficial owners of the Shares should consult their own professional advisers if in doubt.

LETTER FROM SOMERLEY

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Share Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendors, Somerley or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Offer accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

INFORMATION ON THE OFFEROR

The Offeror

The Offeror is incorporated in the Cayman Islands with limited liability and its principal activity is investment holding. It is a direct wholly-owned subsidiary of AAI.

AAI

AAI is a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711) and its business nature is investment holding. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and assets leasing, professional services (including provision of security, tunnel and other facility management services), non-franchised bus services and manufacturing of positron emission tomography radiopharmaceuticals.

INFORMATION ON THE GROUP

Your attention is drawn to the sections headed "Information of the Group" in the "Letter from the Board" as set out on page 30 of this Composite Document.

LETTER FROM SOMERLEY

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Share Offer, the Offeror intends to continue the existing principal business of the Group and maintain the listing status of the Company on GEM. The Offeror has no plan or intention to downsize or change the scale of the Group's existing principal business. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

The Offeror will conduct a review of the existing principal business and the financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

CHANGES TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming and Mr. Tang Kong Fuk as executive Directors, Ms. Tam Mo Kit as non-executive Director and Mr. Wong Bay, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as independent non-executive Directors.

Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert intend to resign as Board members taking effect on the later of first closing date of the Share Offer or 2 April 2024. The Offeror is nominating (1) Mr. Pang Yat Ting, Dominic, (2) Mr. Xu Jianhua, Jerry, (3) Ir Dr. Pang Yat Bond, Derrick *JP* and (4) Mr. Shea Chun Lok, Quadrant as four new executive Directors, and Mr. Yu Cheeric and Ms. Fung Nancy Ruth will become new independent non-executive Directors to the Board, all with effect from the earliest time as permitted under the Takeovers Code (i.e. the date immediately after this Composite Document is despatched) and any such appointment will be made in compliance with the Takeovers Code and the GEM Listing Rules. The biographic details of the above-mentioned persons are set out in the section headed "Proposed changes to the Board Composition of the Company" in the "Letter from the Board" below.

LETTER FROM SOMERLEY

Upon the resignation of Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert as Board members and the appointment of the above mentioned persons as new executive and independent non-executive Directors, the Board will comprise six executive Directors, namely Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick *JP*, Mr. Shea Chun Lok, Quadrant, Mr. Ho Chu Ming and Mr. Ng Fuk Wah, and four independent non-executive Directors, namely Ms. Fung Nancy Ruth, Mr. Yu Cheeric, Mr. Wong Bay and Mr. Ng Kee Fat Ronny. As the number of independent non-executive Directors will represent at least one-third of the Board, the new Board will comply with Rule 5.05A of the GEM Listing Rules.

Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM following the close of the Share Offer. The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, is held by the public, or if the Stock Exchange believes that:

- (i) false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The directors of the Offeror and the new members to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include (but is not limited to) placing down sufficient number of accepted Shares by the Offeror. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Share Offer Shares not acquired pursuant to the Share Offer after the close of the Share Offer.

LETTER FROM SOMERLEY

GENERAL

All documents and remittances in respect of cash consideration payable for the Share Offer Shares tendered under the Share Offer will be sent to the accepting Shareholders by ordinary post at such Shareholders' own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, parties acting in concert with it, the Company, Somerley, the Independent Financial Adviser, the Registrar, the company secretary of the Company and any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Share Offer will be responsible for any loss in postage or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Share Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

Yours faithfully,
for and on behalf of
Somerley Capital Limited
M. N. Sabine
Chairman

LETTER FROM THE BOARD



雅居物業管理
Modern Living Property Management

Modern Living Investments Holdings Limited

雅居投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8426)

Executive Directors:

Mr. Ho Chu Ming (*Chairman*)
Mr. Ng Fuk Wah (*Chief Executive Officer*)
Mr. Sung Alfred Lee Ming
Mr. Tang Kong Fuk

Registered office:

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Non-executive Director:

Ms. Tam Mo Kit

*Head office and principal place of
business in Hong Kong:*

Units 1102–1103, 11th Floor
Delta House
No. 3 On Yiu Street
Sha Tin, New Territories
Hong Kong

Independent non-executive Directors:

Mr. Wong Siu Fai Albert
Mr. Wong Bay
Mr. Ng Kee Fat Ronny

5 March 2024

To the Independent Shareholders:

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CHUN WO OVERSEAS HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MODERN LIVING INVESTMENTS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the Completion Announcement in relation to, among other things, Sale and Purchase Agreement and the Share Offer.

As mentioned in the Joint Announcement, on 26 January 2024 (after trading hours), the Offeror (as purchaser) and the Vendors entered into Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Offeror agreed to purchase, the Sale Shares, being 473,870,000 Shares, which represent approximately 59.23% of the total issued share capital of

LETTER FROM THE BOARD

the Company as at the Latest Practicable Date. The Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). A sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A in stages if the Profit Targets are satisfied.

Completion took place on 21 February 2024. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it (excluding the Vendors) held a total of 473,870,000 Shares, representing approximately 59.23% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

As at the Latest Practicable Date, the Company had 800,000,000 Shares in issue. The Company does not have any other outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. Save as disclosed above, as at the date of this Composite Document, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group and the Offeror; (ii) further details of the Share Offer; (iii) a letter of recommendation from the Independent Board Committee containing the Independent Board Committee's recommendation to the Independent Shareholders in respect of the terms of the Share Offer and as to acceptance; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Share Offer; and (v) procedures for acceptance of the Share Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Wong Siu Fai Albert, Mr. Wong Bay and Mr. Ng Kee Fat Ronny, has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and give a recommendation as to acceptance of the Share Offer. Ms. Tam Mo Kit, the sole non-executive director of the Company, is the controlling shareholder of R5A and the spouse of Mr. Ng and is therefore considered to have material interest in the Acquisition and the Share Offer. Accordingly, she will not be a member of the Independent Board Committee.

Red Solar has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Share Offer and in particular as to whether the Share Offer is, or is not, fair and reasonable and as to its acceptance.

LETTER FROM THE BOARD

The full text of the letter from the Independent Board Committee and the letter from the Independent Financial Adviser are set out in the Composite Document. **You are urged to read those letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Share Offer.**

PRINCIPAL TERMS OF THE SHARE OFFER

As disclosed in the “Letter from Somerley”, Somerley, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Share Offer on the following basis:

For each Offer Share HK\$0.350 in cash

The Share Offer Price is the same as the maximum price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer Price of HK\$0.350 per Offer Share represents:

- (i) a premium of approximately 1.45% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 22.81% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 26 January 2024, being the Last Trading Day;
- (iii) a premium of approximately 25.45% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.279 per Share;
- (iv) a premium of approximately 38.34% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.253 per Share;
- (v) a premium of approximately 73.27% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.202 per Share;
- (vi) a premium of approximately 86.17% to the audited consolidated net assets per Share of approximately HK\$0.188 as at 31 December 2022, calculated based on the Group’s audited consolidated net assets of approximately HK\$150,291,000 as at 31 December 2022 as disclosed in the annual report of the Company published on 30 March 2023 and 800,000,000 Shares in issue as at 31 December 2022;

LETTER FROM THE BOARD

- (vii) a premium of approximately 73.27% to the unaudited consolidated net assets per Share of approximately HK\$0.202 as at 30 June 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$161,349,000 as at 30 June 2023 as disclosed in the interim report of the Company published on 10 August 2023 and 800,000,000 Shares in issue as at 30 June 2023; and
- (viii) a premium of approximately 80.41% to the unaudited consolidated net assets per Share of approximately HK\$0.194 as at 30 September 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$154,905,000 as at 30 September 2023 as disclosed in the third quarterly report of the Company published on 14 November 2023 and 800,000,000 Shares in issue as at 30 September 2023.

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the period commencing 6 months before the offer period and ending on the Latest Practicable Date were HK\$0.345 per Share on trading days from 22 February 2024 to 1 March 2024 and HK\$0.147 per Share on 11 October 2023 respectively.

As at the Latest Practicable Date, on the basis of the Share Offer Price of HK\$0.350 per Share and 246,130,000 Shares subject to the Share Offer (excluding (a) the 473,870,000 Sale Shares acquired by the Offeror and parties acting in concert with it and (b) the 80,000,000 Remaining Shares), the Share Offer is valued at approximately HK\$86,145,500.

The Share Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. However, as mentioned in paragraph (1) in the section headed "Vendors' undertakings" in the "Letter from Somerley" above, R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Company held or controlled by R5A during the Offer Period. As at the Latest Practicable Date, other than the Remaining Shares controlled through R5A, no Director beneficially owned any Shares.

The Offer Shares to be acquired under the Share Offer will be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. The Company confirms that as at the Latest Practicable Date, (i) the Company has not declared any dividend which remains unpaid; and (ii) it does not have any intention to make, declare or pay any future dividend/make other distributions on or before the close of the Share Offer.

The Share Offer is unconditional in all respects when made.

Further details of the Share Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the section headed "Procedures for Acceptance of the Offer" in the "Letter from Somerley" in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE BOARD

PROFIT TARGETS AND PROFIT FORECAST

Pursuant to the terms under the Sale and Purchase Agreement, the Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). The Initial Consideration in the sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A if the Profit Targets are satisfied:

- (A) If the 2024 Net Profit is of HK\$15,000,000 or more, then the 1st Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2024;
- (B) If the 2025 Net Profit is of HK\$15,000,000 or more, then the 2nd Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2025;
- (C) If the 2024 Net Profit is of HK\$13,000,000 or more and is less than HK\$15,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, then the 1st Deferred Consideration shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2025; for the avoidance of doubt, if the 2024 Net Profit is less than HK\$13,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, the 1st Deferred Consideration shall not be payable; and
- (D) If the 2026 Net Profit is of HK\$15,000,000 or more, then 3rd Deferred Consideration in the sum of HK\$9,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2026.

If the Group undertakes new business operations other than property management services to be provided to public and subsidised housing in Hong Kong, the Offeror and R5A shall discuss in good faith as to whether any of the Profit Targets shall be adjusted, provided that the aggregate amount of all the Deferred Consideration shall not be more than HK\$29,000,000. For the avoidance of doubt, such adjustments may relate to the amounts of Profit Targets, the timing of paying the Deferred Consideration (where applicable) and/or the amount of Deferred Consideration payable in each financial year of the Company. The overall effect of such adjustments (if any) will be maintaining or reducing the aggregate amount of the Deferred Consideration.

If any of the Profit Targets is not satisfied, the total Consideration payable to R5A will be reduced by the relevant amount of Deferred Consideration, while the total Consideration payable to the other Vendors will not be reduced.

LETTER FROM THE BOARD

Given the above terms under the Sale and Purchase Agreement, for R5A to obtain the Deferred Consideration, the Company will have to achieve the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit, which shall not be less than HK\$15,000,000 in each year. Such Profit Targets constitute a profit forecast under Rule 10 of the Takeovers Code.

Pursuant to Rule 10 of the Takeovers Code, each of the Profit Targets for the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit constitutes a profit forecast (“**Profit Forecast**”) and should be reported on by the Company’s financial adviser and auditors or consultant accountants under Rule 10.4 of the Takeovers Code. Pursuant to Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code, financial advisers must satisfy themselves that the forecast has been made by the Directors with due care and consideration, and auditors or consultant accountants must satisfy themselves that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made.

In compliance with the requirement under Rule 10 of the Takeovers Code, the forecast has been reported on in accordance with the Takeovers Code and the requisite reports from the Auditor and Red Solar have been lodged with the Executive and attached as Appendix V to this Composite Document.

The Forecast Financial Information have been prepared based on the historical audited financial information of the Group. The Forecast Financial Information has been prepared on the basis consistent in all material respects with the accounting policies normally adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2022 as summarised in the Group’s 2022 annual report. The following are the details of the assumptions prepared by the Directors and adopted in the forecast, reviewed by the Auditor and Red Solar pursuant to Rule 10.2 of the Takeovers Code and the notes to Rules 10.1 and 10.2 of the Takeovers Code:

(A) General assumptions

- (i) It is assumed that the Group will be able to continue its business, and retain the key management and personnels, and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes, epidemics or serious accidents, during the Forecast Period;
- (ii) there will be no material change in existing laws or regulations, government policies or political, legal, fiscal, market or economic conditions in Hong Kong;
- (iii) there will be no material change in the bases or rates of taxation in Hong Kong in which the Group operates;
- (iv) there will be no significant inflation or deflation and changes in interest rate or exchange rates of the jurisdictions where the Group carries out its business from those presently prevailing; and

LETTER FROM THE BOARD

- (v) there will be no government action, or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the operations and results of the Group.

(B) Specific assumptions

- (i) other than as set out in the Forecast Financial Information, there will be no material unbudgeted capital expenditure or bad debts;
- (ii) there will be no material unexpected fluctuations in the prices of the Group's services and the purchase prices of the Group's key materials;
- (iii) other than as set out in the Forecast Financial Information, there will be no significant unexpected expansion or contraction of the business of the Group;
- (iv) the Group will be able to continue to renew its existing contracts based on its past ability to renew its contracts, satisfactory performance scores given by the Housing Authority to it and its reputations among the private sector; and the Group will continue to submit tenders for contracts available to it and will be able to win at least two tenders during the year ending 31 December 2024 from the Housing Authority as well as the private sector, including the Home Ownership Scheme estates, based on the Group's ability to win more than two tenders during the year ended 31 December 2023;
- (v) there will be no material changes in the Housing Authority's tender system during the Forecast Period; and
- (vi) there will be no material change in the available credit limit provided to the Group by a financial institution during the Forecast Period based on the existing banking facilities letter issued by the financial institution to the Group, which is generally revolving in nature and shall continue to be effective until otherwise cancelled and the terms of which shall continue to apply unless new, revised or supplemental facility letter has been sent to the Group.

The Auditor has reviewed the accounting policies and calculations adopted in arriving at the forecast in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and is of the opinion that, the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases and assumptions adopted by the Directors and was presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2022.

Red Solar has reviewed the forecast and discussed with the Directors, the management of the Company matters including the basis of the accounting policy adopted by the Directors in preparing the forecast, and is of the opinion that the forecast has been prepared by the Directors with due care and consideration, and on a reasonable basis.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (Stock code: 8426). The Group is principally engaged in the provision of property management services with a primary focus on public housing and subsidised housing in Hong Kong.

The Housing Authority is the Group's sole customer and contributed all of the Group's total revenue. The Group's property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services.

The Directors understand that there is no property which is held by the Group, such that it is subject to a valuation report under Rule 11.1(f) of the Takeovers Code. As such, the Directors confirm that no valuation report is required to be prepared under Rule 11.1(f) of the Takeovers Code.

Your attention is drawn to Appendix II and Appendix III to this Composite Document which contain further financial and general information of the Group, respectively, as required under the Takeovers Code.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately following Completion and before the close of the Share Offer and as at the Latest Practicable Date:

	Immediately before Completion		Immediately following Completion and before the close of the Share Offer and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror	—	—	473,870,000	59.23
R5A (<i>notes 2 and 3</i>)	491,440,000	61.43	80,000,000	10.00
Mr. Ng (<i>note 3</i>)	53,390,000	6.67	—	0.00
Mr. Ho (<i>note 3</i>)	4,840,000	0.61	—	0.00
Mr. Tang (<i>note 3</i>)	<u>4,200,000</u>	<u>0.53</u>	<u>—</u>	<u>0.00</u>
Sub-total for the Offeror and parties acting in concert with it	553,870,000	69.23	553,870,000	69.23
Public Shareholders	<u>246,130,000</u>	<u>30.77</u>	<u>246,130,000</u>	<u>30.77</u>
Total	<u>800,000,000</u>	<u>100.00</u>	<u>800,000,000</u>	<u>100.00</u>

Notes:

- (1) The percentages are subject to rounding adjustments and may not add up to 100%.
- (2) Apart from the Remaining Shares held through R5A, none of the Directors hold any securities of the Company as at the Latest Practicable Date.
- (3) The Vendors are deemed to be acting in concert with the Offeror under class (9) presumption of the definition of “acting in concert” under the Takeovers Code and by virtue of the Vendors’ undertaking given to the Offeror as detailed in the section headed “Vendors’ undertakings” in the “Letter from Somerley” above.

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Information of the Offeror” in “Letter from Somerley” in this Composite Document and Appendix IV to this Composite Document.

THE OFFEROR’S INTENTION ON THE GROUP

Your attention is drawn to the paragraph headed “The Intentions of the Offeror in relation to the Group” in “Letter from Somerley” in this Composite Document.

LETTER FROM THE BOARD

The Board is aware of the Offeror's intention in relation to the Group and is willing to render reasonable co-operation with the Offeror and continue to act in the best interests of the Company and the Shareholders as a whole. The Company was informed by the Offeror that the Offeror has no plan or intention to downsize or change the scale of the Group's existing principal business.

PROPOSED CHANGES TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming and Mr. Tang Kong Fuk as executive Directors, Ms. Tam Mo Kit as non-executive Director and Mr. Wong Bay, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as independent non-executive Directors.

In compliance with Rule 7 of the Takeovers Code, it is intended that Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert, will resign from the Board taking effect on the later of first closing date of the Share Offer or 2 April 2024.

The Offeror is nominating (1) Mr. Pang Yat Ting, Dominic, (2) Mr. Xu Jianhua, Jerry, (3) Ir Dr. Pang Yat Bond, Derrick *JP* and (4) Mr. Shea Chun Lok, Quadrant as four new executive Directors, and Mr. Yu Cheeric and Ms. Fung Nancy Ruth will become new independent non-executive Directors to the Board, all with effect from the earliest time as permitted under the Takeovers Code (i.e. the date immediately after this Composite Document is despatched) and any such appointment will be made in compliance with the Takeovers Code and the GEM Listing Rules. The biographical details of the above-mentioned persons are as follows:

Mr. Pang Yat Ting, Dominic, aged 51, graduated from Columbia University, New York in 1995 with a Bachelor of Arts degree in Economics, Political Science and Mathematics, and obtained a Juris Doctorate from the New York University School of Law in 1998 and an Executive Master of Business Administration degree from Kellogg-HKUST in 2010. In 2023, he was conferred an Honorary Fellowship by City University of Hong Kong. Mr. Pang Yat Ting, Dominic has been appointed as a vice president of Belt & Road General Chamber of Commerce in April 2018, a member of council of the Vocational Training Council in July 2019, the chairman of Executive Board of the Hong Kong Real Property Federation since September 2019, a council member of The Chinese University of Hong Kong since May 2022 and the non-executive director of the Mandatory Provident Fund Schemes Authority since March 2023.

Mr. Pang Yat Ting, Dominic joined the AAI Group in 2003 and was appointed as the assistant to the late chairman of AAI, Dr. Pang Kam Chun. Mr. Pang Yat Ting, Dominic was appointed as the chairman and an executive director of AAI in April 2010 and redesignated as the co-chairman and the non-executive director of AAI in January 2015. He has been further re-designated as the chairman and an executive director of AAI since March 2017. Mr. Pang Yat Ting, Dominic is also the chairman of the nomination committee and executive committee and a member of the management committee of AAI. He is also currently the chairman of the property development executive board of the AAI Group, responsible for the management of the overall property development and assets leasing business of the AAI Group. He also holds directorships in certain subsidiaries of AAI. Mr. Pang Yat Ting, Dominic is the elder brother of Ir Dr. Pang Yat Bond, Derrick.

LETTER FROM THE BOARD

Mr. Xu Jianhua, Jerry, aged 55, holds a Bachelor's degree in Law of the China University of Political Science and Law, a Master's degree in Business Administration of Beijing University of Aeronautics and Astronautics and a Master of Laws degree in International Economic Law of City University of Hong Kong. He qualified as a lawyer in the PRC in 1994 and a senior economist in the PRC in 2003. Mr. Xu Jianhua, Jerry has over 24 years of corporate management experience and extensive experience in transactions of mergers and acquisitions and investment and financing. He was a director of a company listed on the Shanghai Stock Exchange and two companies listed on the Main Board of the Stock Exchange. Mr. Xu Jianhua, Jerry was appointed as the co-chairman and an executive director of AAI in January 2015. He has been re-designated as the deputy chairman of AAI in March 2017 and is currently a member of the management committee and executive committee of AAI. Mr. Xu Jianhua, Jerry also holds directorships in certain subsidiaries of AAI.

Ir Dr. Pang Yat Bond, Derrick, aged 48, graduated from the University of California, Berkeley in the United States in 1997 with a Bachelor of Science degree and obtained a Master of Engineering degree in Civil and Environmental Engineering from Massachusetts Institute of Technology in the United States in 1998 and a Master's degree in Business Administration from The Chinese University of Hong Kong in 2007. He also obtained a Doctor of Philosophy in Civil Engineering from the Hong Kong University of Science and Technology in 2014. He is a member of the Institution of Civil Engineers, the United Kingdom and the Hong Kong Institution of Engineers and a Registered Professional Engineer in the State of California, United States. He has over 23 years of geotechnical design and construction experience in the United States and Hong Kong. He has been appointed as a council member of The Hong Kong Polytechnic University since April 2021, a member of the Aviation Development and Three-runway System Advisory Committee since August 2021, a non-executive director of the Insurance Authority since December 2021 and a director of the Hong Kong Cyberport Management Company Limited since April 2023. He was appointed as Justice of the Peace by the Government of Hong Kong in June 2017. He joined the AAI Group in 2001 and holds directorships in certain subsidiaries of AAI. He has been appointed as an executive director of AAI since April 2010 and acted as the deputy chairman of AAI from April 2010 to March 2017. He has been appointed as the chief executive officer of AAI since April 2017 and acted as the chief operating officer of AAI from April 2017 to January 2019. He is also the chairman of the management committee and a member of the executive committee of AAI. He leads the chief executive officer office for managing overall performance of the construction business of the AAI Group and is the chairman of the City Services Group Limited executive board of the AAI Group and a member of the property development executive board of the AAI Group, responsible for management of the overall professional services and property development and assets leasing businesses of the AAI Group. Ir Dr. Pang Yat Bond, Derrick is the younger brother of Mr. Pang Yat Ting, Dominic.

LETTER FROM THE BOARD

Mr. Shea Chun Lok, Quadrant, aged 57, graduated from Monash University of Australia with a Bachelor's degree in Business and later completed a postgraduate programme of Public Finance (Taxation) and obtained a Master's degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. He is also a Chartered Tax Adviser of Hong Kong and obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. He has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development. Mr. Shea Chun Lok, Quadrant has substantial experience in accounting and finance in listed companies and worked as qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of S.A.S. Dragon Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01184) from 1999 to 2005. He has been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00371) since 2002 and is also the chairman of the audit committee of the company. He has also been appointed as an independent non-executive director of Hi-Level Technology Holdings Limited (a company listed on GEM, stock code: 08113) since 2015 and is the chairman of the audit committee, nomination committee and remuneration committee of the company. Mr. Shea Chun Lok, Quadrant joined the AAI Group as financial controller of property development segment in 2008 and has been appointed as the chief financial officer and company secretary of AAI since 2015. He has been appointed as an executive director of AAI since July 2017 and is also currently a member of the management committee and executive committee of AAI. He is also currently the member of the property development executive board of the AAI Group, responsible for the management of the overall property development and assets leasing business of the AAI Group. Mr. Shea Chun Lok, Quadrant also holds directorships in certain subsidiaries of AAI.

Mr. Yu Cheeric, aged 48, obtained a bachelor of science in business administration (accountancy) from the California State University and completed the Wharton-Greentown Asset — Light-Program organised by the University of Pennsylvania. Mr. Yu is a member of the American Institute of Certified Public Accountants and a certified public accountant of the State of Delaware.

Mr. Yu has over 25 years of experience in auditing, advisory business services and finance management. Mr. Yu started his career as an accountant in assurance and advisory business service with Ernst & Young, thereafter, worked for various listed companies on the Stock Exchange, including CLP Holdings Limited (stock code: 0002), Shimao Property Holdings Limited (stock code: 0813) and Greentown Management Holdings Limited (stock code: 9979). Mr. Yu is currently a financial controller and company secretary of Wisdom Education International Holdings Company Limited (stock code: 6068), a company listed on

LETTER FROM THE BOARD

the Main Board of the Stock Exchange. Since February 2020, he has been serving as an independent non-executive director of MBV International Limited (stock code: 1957), a company listed on the Main Board of the Stock Exchange.

Ms. Fung Nancy Ruth (formerly known as Fung Lan Sze, Lanzee), aged 58, obtained a bachelor in economic and social studies from The University College of Wales in the United Kingdom in 1989. Ms. Fung has more than 30 years of experience in the finance industry and was a responsible officer of Type 4 and Type 9 Regulated Activities under the SFO.

From June 1991 to June 1992, Ms. Fung worked at The Stock Exchange of Hong Kong Ltd. as a compliance assistant officer. From June 1992 to March 2001, she worked in various securities houses in Hong Kong as a research or investment analyst, including two years at OCBC Securities (Hong Kong) Limited (currently known as OCBC Securities Brokerage (Hong Kong) Limited), three years and eight months at Daiwa Institute of Research (H.K.) Limited, a year at JS Cresvale International Limited (currently known as JS Cresvale Securities International Limited), and over six months at SBI E2-Capital Financial Services Limited (currently known as SBI China Capital Financial Services Limited).

From April 2001 to February 2003, she worked at SBI China Provident Capital Management Limited, an asset management firm, as a senior analyst. From March 2003 to August 2007, she worked at Softbank China Venture Investments Limited (lately known as SIIS Investment Management Limited), a firm focusing on venture capital fund management, as vice president.

From October 2007 to November 2022, she served as a responsible officer of asset management firms, including over six years at SBI E2-Capital Asset Management Limited (currently known as SBI China Capital Asset Management Limited), six months at Simsen Asset Management (HK) Limited (currently known as Huarong International Asset Management Limited), over three years at China Goldjoy Asset Management Limited (currently known as Atlantic Asset Management Limited), and nearly five years at Ban Loong Asset Management Limited, where she also acted as a director. Her responsible officer experience encompassed acting as an investment committee member to supervise funds and discretionary accounts, providing investment advice to its board of directors, and making decisions on investment proposals.

Upon the resignation of Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert as Board members and the appointment of the above mentioned persons as new executive and independent non-executive Directors, the Board will comprise six executive Directors, namely Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick *JP*, Mr. Shea Chun Lok, Quadrant, Mr. Ho Chu Ming and Mr. Ng Fuk Wah, and four independent non-executive Directors, namely Ms. Fung Nancy Ruth, Mr. Yu Cheeric, Mr. Wong Bay and Mr. Ng Kee Fat Ronny. As the number of independent non-executive Directors will represent at least one-third of the Board, the new Board will comply with Rule 5.05A of the GEM Listing Rules.

Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

LETTER FROM THE BOARD

PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares on GEM following the close of the Share Offer. The directors of the Offeror and the new members to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float shall exist in the Shares after the close of the Share Offer.

Therefore, it should be noted that upon close of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Company will make an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules in case less than 25% of the issued share capital of the Company will be held by the public upon the close of the Share Offer. Appropriate steps will be taken to ensure public float will be restored as soon as possible after the close of the Share Offer. The steps that the Offeror may take include but not limited to (i) placing down or selling sufficient number of accepted Shares it acquired from the Share Offer to selected independent third parties or in the market; and/or (ii) issue of additional Shares by the Company for this purpose.

Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

RECOMMENDATION

Your attention is drawn to the sections headed “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” in this Composite Document, which contain, among other things, their advice in relation to the Share Offer and the principal factors considered by them in arriving at their recommendation. **You are urged to read those letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Share Offer.**

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I titled “Further Terms and Procedures of Acceptance of the Share Offer” to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Share Offer.

In considering what action to take in connection with the Share Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully
By order of the Board of
Modern Living Investments Holdings Limited
Ho Chu Ming
Chairman and executive Director



雅居物業管理
Modern Living Property Management

Modern Living Investments Holdings Limited

雅居投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8426)

5 March 2024

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CHUN WO OVERSEAS HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MODERN LIVING INVESTMENTS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 5 March 2024 jointly issued by the Offeror and the Company of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in this Composite Document.

We have been appointed by the Board to constitute the Independent Board Committee to consider the terms of the Share Offer and to make a recommendation to the Independent Shareholders as to whether or not, in our opinion, the terms of the Share Offer are fair and reasonable and to make recommendation as to acceptance thereof. We have declared that we are independent and have no direct or indirect interests in the Share Offer, and therefore are able to consider the terms of the Share Offer and to make recommendations to the Independent Shareholders.

Red Solar Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of whether or not the terms of the Share Offer are fair and reasonable and to make recommendations in respect of the acceptance of the Share Offer. Details of its advice and recommendations, together with the principal factors and reasons which it has considered before arriving at such recommendations, are set out in the “Letter from the Independent Financial Adviser” on pages 40 to 68 of this Composite Document. We also wish to draw your attention to the “Letter from Somerley” and the “Letter from the Board” in this Composite Document as well as the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Share Offer, taking into account the information contained in this Composite Document and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we concur with the view of the Independent Financial Adviser and consider that the terms of the Share Offer are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Share Offer.

However, the Independent Shareholders who wish to realise their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Share Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investments is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Share Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,

**Independent Board Committee of
Modern Living Investments Holdings Limited**

Wong Siu Fai Albert
*Independent
non-executive Director*

Wong Bay
*Independent
non-executive Director*

Ng Kee Fat Ronny
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Share Offer for the purpose of inclusion in this Composite Document.



Unit 402B, 4/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

5 March 2024

To: The Independent Board Committee and the Independent Shareholders of Modern Living Investments Holdings Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CHUN WO OVERSEAS HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MODERN LIVING INVESTMENTS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Offer. Details of the Share Offer are set out in the Composite Document dated 5 March 2024 jointly issued by the Offeror and the Company, of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as those defined in the Composite Document.

Reference is made to the Joint Announcement in which the Offeror and the Company jointly announced that on 26 January 2024 (after trading hours of the Stock Exchange), the Offeror (as purchaser) and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Vendors conditionally agreed to sell, and the Offeror conditionally agreed to purchase, the Sale Shares being 473,870,000 Shares which represented approximately 59.23% of the total issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). A sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A in stages if the Profit Targets are satisfied. Completion took place on the Completion Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Composite Document, as at the Latest Practicable Date, the Company had 800,000,000 Shares in issue. The Company had no outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. Save as disclosed above, as at the date of this Composite Document, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

The Vendors are deemed to be parties acting in concert with the Offeror. As set out in the Joint Announcement, immediately prior to Completion, the Offeror and parties acting in concert with it (excluding the Vendors) did not own, control or have direction over any Shares or other relevant securities of the Company and had not dealt for value in the Shares or other relevant securities of the Company during the 6-month period preceding the date of the Joint Announcement. Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (excluding the Vendors) were interested in an aggregate of 473,870,000 Shares (representing approximately 59.23% of the Shares in issue as at the Latest Practicable Date) and the Offeror and all parties acting in concert with it (including R5A) will own an aggregate of 553,870,000 Shares (representing approximately 69.23% of the Shares in issue as at the Latest Practicable Date). Pursuant to Rule 26.1 of the Takeovers Code, immediately following Completion, the Offeror is required to make a mandatory unconditional cash offer (i.e. the Share Offer) for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Somerley, on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.350 in cash

The Share Offer Price is the same as the maximum price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions. Any acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Share Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. However, as mentioned in paragraph (1) in the section headed “The Vendors’ undertakings” in the Composite Document, R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Company held or controlled by R5A during the offer period (as defined in the Takeovers Code).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Shares to be acquired under the Share Offer will be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

As set out in the Composite Document, the Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend which is not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Share Offer.

Further details of the terms and conditions of the Share Offer, including the procedures for acceptance of the Share Offer, are set out in the Composite Document.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all of the three independent non-executive Directors, namely Mr. Wong Siu Fai Albert, Mr. Wong Bay and Mr. Ng Kee Fat Ronny, has been established to make a recommendation to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and give a recommendation as to acceptance of the Share Offer. Ms. Tam Mo Kit, the sole non-executive director of the Company, is the controlling shareholder of R5A and the spouse of Mr. Ng and is therefore considered to have material interest in the Acquisition and the Share Offer. Accordingly, she will not be a member of the Independent Board Committee.

We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer.

OUR INDEPENDENCE

During the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between us and (i) the Offeror; (ii) the Company; (iii) their respective controlling shareholder(s); (iv) the Vendors; (v) any party acting, or presumed to be acting, in concert with any of the above; nor (vi) any company controlled by any of it/them (collectively, the “**Relevant Parties**”). As at the Latest Practicable Date, (i) we did not have any relationship with, or interest in, the Relevant Parties that could reasonably be regarded as relevant to our independence; (ii) we were not in the same group with the financial or other professional advisers to the Relevant Parties; and (iii) we did not have significant connection, financial or otherwise, with the Relevant Parties within the two years immediately prior to the date of the Joint Announcement and up to the Latest Practicable Date of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

arrangement exists whereby we shall receive any other fees or benefits from the Relevant Parties. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Share Offer pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Composite Document were reasonably made after due enquiry. We considered that we have reviewed sufficient information and documents, including but not limited to (i) the Joint Announcement; (ii) the Composite Document; (iii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (iv) the first quarterly report of the Company for the three months ended 31 March 2023; (v) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (vi) the third quarterly report of the Company for the three months and nine months ended 30 September 2023 (the “**2023 Third Quarterly Report**”); (vii) the unaudited consolidated management accounts of the Company from 1 January to 31 January 2024 (both date inclusive), being the latest practicable date up to which the unaudited consolidated management accounts of The Company have been prepared, (viii) other relevant documents in relation to the Sale and Purchase Agreement and the Share Offer provided by the Company, including but not limited to historical documents, records and calculations; and (ix) relevant market data and information available from public sources to formulate our opinion and recommendation.

We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and there are no other matters the omission of which would make any statement herein or the Composite Document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Offeror and its concert parties) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Offer. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the Share Offer, and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Share Offer, we have considered the following principal factors and reasons:

I. Background of the Group

The Company is an exempted company with limited liability incorporated in the Cayman Islands and the Shares are listed on GEM of the Stock Exchange (stock code: 8426). The Company is an investment holding company and its subsidiaries (i.e. collectively, the Group) were engaged in the provision of property management services with a primary focus on public housing in Hong Kong. The Group's property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Historical financial performance and future developments of the Group*

The following tables set out key financial information of the Group for each of the two years ended 31 December 2022 (the “**FY2021**” and “**FY2022**”, respectively) as extracted from the 2022 Annual Report, for the six months ended 30 June 2022 and 2023, respectively (the “**6M2022**” and “**6M2023**”, respectively), as extracted from the 2023 Interim Report, and for the three months ended 30 September 2022 and 2023, respectively (the “**3Q2022**” and “**3Q2023**”), as extracted from the 2023 Third Quarterly Report:

	For the 3Q2023 <i>HK\$'000</i> <i>(unaudited)</i>	For the 3Q2022 <i>HK\$'000</i> <i>(unaudited)</i>	For the 6M2023 <i>HK\$'000</i> <i>(unaudited)</i>	For the 6M2022 <i>HK\$'000</i> <i>(unaudited)</i>	For the FY2022 <i>HK\$'000</i> <i>(audited)</i>	For the FY2021 <i>HK\$'000</i> <i>(audited)</i>
Revenue	86,717	106,311	163,462	220,959	405,987	479,758
Operating profits	4,942	5,987	12,196	9,967	23,439	30,209
Profit for the period/year	5,806	5,224	11,558	9,213	21,180	25,457
			As at 30 June 2022 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2022 <i>HK\$'000</i> <i>(audited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(audited)</i>	
Assets						
Non-current assets						
Plant and equipment			1,219	1,494	2,027	
Right-of-use assets			1,938	2,072	2,997	
Retention money receivables			2,871	3,126	2,949	
Investment in an insurance contract			2,545	2,514	2,369	
Investment accounted for using the equity method			—	110	100	
Rental deposit			—	—	120	
Subtotal			8,573	9,316	10,562	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	As at 30 June 2022 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 December 2022 <i>HK\$'000</i> <i>(audited)</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(audited)</i>
Current assets			
Financial assets at fair value			
through profit or loss	—	—	6,761
Trade receivables	54,196	64,248	92,457
Contract assets	16,583	16,583	18,152
Prepayments, deposits and other			
receivables	4,367	3,240	5,309
Tax recoverable	—	479	—
Pledged bank deposits	34,600	34,600	35,132
Short term bank deposits	42,966	62,130	—
Cash and cash equivalents	52,930	11,387	40,915
Subtotal	205,642	192,667	198,726
TOTAL ASSETS	214,215	201,983	209,288
Liabilities			
Non-current liabilities			
Deferred tax liabilities	315	279	240
Lease liabilities	1,123	1,402	2,156
Subtotal	1,438	1,681	2,396
Current liabilities			
Trade payables	138	66	113
Other payables and accrued			
liabilities	46,772	44,392	58,440
Borrowings	2,433	4,800	149
Lease liabilities	522	753	897
Tax liabilities	1,563	—	2,558
Subtotal	51,428	50,011	62,157
TOTAL LIABILITIES	52,866	51,692	64,553
NET ASSETS	161,349	150,291	144,735

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Discussion on the Group's performance between FY2021 and FY2022

The Group's revenue decreased by approximately HK\$73.77 million, or approximately 15.38%, from approximately HK\$479.76 million for the FY2021 to approximately HK\$405.99 million for the FY2022. The Group's operating profits decreased by approximately HK\$6.77 million, or approximately 22.41%, from approximately HK\$30.21 million for the FY2021 to approximately HK\$23.44 million for the FY2022. The Group's net profit decreased by approximately HK\$4.28 million, or approximately 16.80%, from approximately HK\$25.46 million for the FY2021 to approximately HK\$21.18 million for the FY2022.

According to the 2022 Annual Report, during the FY2022, Hong Kong Housing Authority (the "HA") was the Group's sole customer and contributed all of the Group's total revenue. The decrease in the Group's revenue between the FY2021 and FY2022 was mainly attributed to the decrease in the number of public housing estates contracts held by the Group during the FY2022. In this relation, we noted that the number of public housing estates (excluding Home Ownership Scheme "HOS" estates) the Group was contracted to provide services to decreased from 23 as at 31 December 2021 to 14 as at 31 December 2022, and that of HOS estates remained unchanged at three (3). We understood from the Company that such decrease in the number of public housing estates (excluding HOS estates) contracts held by the Group were attributable to the then expiry of contracts and that the Group reduced the number of tender bidding in light of the labour shortage risks brought by the COVID-19 pandemic during the FY2022 to avoid suffering from increased labour costs or even failure to fulfill contract obligations due to labour shortage. While (i) the Group's other income increased by approximately HK\$8.95 million from approximately HK\$2.07 million for the FY2021 to approximately HK\$11.02 million for the FY2022, which was mainly due to the anti-pandemic subsidies received from the Hong Kong government during the FY2022; and (ii) the Group managed to generally control and reduce its operating costs and expenses for the FY2022 when comparing to those for the FY2021, the decrease in the Group's revenue between FY2021 and FY2022 still caused its operating profits and net profit to drop by approximately 22.41% and 16.80%, respectively, during the same years.

The Group's total assets decreased by approximately HK\$7.31 million, or approximately 3.49%, from approximately HK\$209.29 million as at 31 December 2021 to approximately HK\$201.98 million as at 31 December 2022. It was mainly attributable to the decreases in the Group's trade receivables from approximately HK\$92.46 million to HK\$64.25 million, contract assets from approximately HK\$18.15 million to HK\$16.58 million, and prepayments, deposits and other receivables from approximately HK\$5.31 million to HK\$3.24 million, as at 31 December 2021 and 2022, respectively, all of which were primarily a result of the decreased level of operating activities of the Group due to the decrease in the number of public housing estates contracts held by the Group during the FY2022 and which were in line with the decrease in the Group's revenue between the said years,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

despite being partially offset by the increase in the aggregate sum of the Group's short term bank deposits and cash and cash equivalents between the same dates. Meanwhile, the Group's total liabilities also decreased by approximately HK\$12.86 million, or approximately 19.92%, from approximately HK\$64.55 million as at 31 December 2021 to approximately HK\$51.69 million as at 31 December 2022, which was mainly attributable to the decrease in the Group's other payables and accrued liabilities, primarily comprising provision for long service payment and gratuities, provision for unutilised annual leave and accrued wages, salaries and pensions, between the same dates. As a result of the aforesaid, the Group's net assets increased by approximately HK\$5.56 million, or approximately 3.84%, from approximately HK\$144.74 million as at 31 December 2021 to approximately HK\$150.29 million as at 31 December 2022.

Discussion on the Group's performance between 6M2022 and 6M2023

The Group's revenue decreased by approximately HK\$57.50 million, or approximately 26.02%, from approximately HK\$220.96 million for the 6M2022 to approximately HK\$163.46 million for the 6M2023. The Group's operating profits increased by approximately HK\$2.23 million, or approximately 22.36%, from approximately HK\$9.97 million for the 6M2022 to approximately HK\$12.20 million for the 6M2023. The Group's net profit also increased by approximately HK\$2.35 million, or approximately 25.45%, from approximately HK\$9.21 million for the 6M2022 to approximately HK\$11.56 million for the 6M2023.

As set out in the 2023 Interim Report, the decrease in the Group's revenue between 6M2022 and 6M2023 was attributed to the discontinuation of certain property management services contracts when comparing between the said periods. In this relation, we noted that the total number of public housing estates the Group was contracted to provide services to was 19 as at 30 June 2023, comprising 15 public housing estates owned by the HA and four (4) HOS estates awarded by the HA, representing a decrease when compared with that of 21 as at 30 June 2022, comprising 18 public housing estates owned by the HA and three (3) HOS estates awarded by the HA. We understood from the Company that such decrease was mainly attributable to the fact that while certain of the Company's property management services contracts expired without renewal during 6M2023, the tenders that the Group was awarded generally only commenced subsequent to 6M2023. Nonetheless, the Group managed to control its costs during the 6M2023, and recorded a general decrease in its operating costs and expenses such as but not limited to employee benefits expenses, cleaning material costs and other operating expenses. As a result, the Group's operating profits and net profit increased by approximately 22.36% and approximately 25.45%, respectively, between 6M2022 and 6M2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total assets increased by approximately HK\$12.23 million, or approximately 6.06%, from approximately HK\$201.98 million as at 31 December 2022 to approximately HK\$214.22 million as at 30 June 2023, which was mainly attributable to the increase in the aggregate amount of the Group's short term bank deposits and cash and bank balances being partially offset by the decrease in its trade receivables. The Group's total liabilities also slightly increased by approximately HK\$1.17 million, or approximately 2.27%, from approximately HK\$51.69 million as at 31 December 2022 to approximately HK\$52.87 million as at 30 June 2023, which was mainly attributable to the increase in its current income tax liabilities. As a result of the aforesaid, the Group's net assets increased by approximately HK\$11.06 million, or approximately 7.36%, from approximately HK\$150.29 million as at 31 December 2021 to approximately HK\$161.35 million as at 30 June 2023.

Discussion on the Group's performance between 3Q2022 and 3Q2023

The Group's revenue decreased by approximately HK\$19.59 million, or approximately 18.43%, from approximately HK\$106.31 million for the 3Q2022 to approximately HK\$86.72 million for the 3Q2023. The Group's operating profits decreased by approximately HK\$1.05 million, or approximately 17.45%, from approximately HK\$5.99 million for the 3Q2022 to approximately HK\$4.94 million for the 3Q2023. The Group's net profit increased by approximately HK\$0.58 million, or approximately 11.14%, from approximately HK\$5.22 million for the 3Q2022 to approximately HK\$5.81 million for the 3Q2023. We understood from the Company that the decrease in the Group's revenue between 3Q2022 and 3Q2023 was mainly attributable to the expiry without renewal of certain of the Company's property management services contracts during the nine months ended 30 September 2023, and that the new contracts awarded to the Group during 3Q2023 were not commenced and thus did not generate revenue for the 3Q2023 yet. Nonetheless, the Group managed to control its costs during the 3Q2023, particularly employee benefits expenses, and recorded an increase in its profit for the 3Q2023 when compared to that for the 3Q2022.

The unaudited consolidated net assets per Share was approximately HK\$0.194 as at 30 September 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$154,905,000 as at 30 September 2023 as disclosed in the third quarterly report of the Company published on 14 November 2023 and 800,000,000 Shares in issue as at 30 September 2023.

Future developments of the Group

As reflected in the 2023 Interim Report, the Directors were confident in the growth of the Hong Kong public housing market and envisaged that it will stimulate the growth of public housing property management services business in Hong Kong. We have also discussed with the Company and understood that the Group has been submitting and will continue to submit more tenders subsequent to 6M2023, as the Directors considered that the impact of the COVID-19 pandemic has been reduced and so as the risks of labour shortage and difficulties in the Group's cost control,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with an aim to win more contracts for the Group. In this relation, we understood from the Company that the number of tenders submitted by the Group increased from 13 for the FY2022 to 29 already for the nine months ended 30 September 2023, and the number of contracts awarded to the Group increased from 2 for the FY2022 to 7 already for the nine months ended 30 September 2023. The number of contracts held by the Group also increased from 19 as at 30 June 2023 to 21 as at 30 September 2023. Therefore, we concurred with the Directors that the Group has been submitting and will continue to submit more tenders in the future in an attempt to secure more contracts, and we considered that it is likely for the Group to secure contracts in the future taking into account the Group's ability to secure 7 contracts already for the nine months ended 30 September 2023.

(ii) Prospect of the Group and its industry

The Group was mainly engaged in the provision of property management services including (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services to public housing estates, including HOS estates, of the HA.

According to the annual reports of the HA for each of the three years ended 31 March 2023[@], the number of public rental housing estates has been increasing from 189 to 191 then to 193 as at 31 March 2021, 2022 and 2023, respectively. We also noted from the website of the HA about actual public housing production[#] that (i) 857 public rental housing flats and a total of 9,730 HOS and Green Form Subsidised Home Ownership Scheme (“**Green Form**”) flats of the HA were actually produced during the year ended 31 March 2023; and (ii) due to the outbreak of the COVID-19 pandemic, about 7,600 public rental housing flats originally scheduled for completion by the end of the year ended 31 March 2023 was delayed by about one to two quarters and with completion deferred to the year ending 31 March 2024. Reference is also made to the website of the HA about its public housing production forecast[^] that for each of the four years ending 31 March 2027, respectively, (i) 12,800, 17,300, 15,300 and 15,400 new public rental housing or Green Form flats; and (ii) 200, 11,300, 8,200 and 6,200 new other subsidised sale flats which included HOS flats are estimated to be completed. Based on the above, we were of the view that the number of public housing estates, including HOS estates, has been increasing in recent years and is expected to continue increasing during at least the four years ending 31 March 2027.

@: HA Annual Report 2020/21 – <https://www.housingauthority.gov.hk/mini-site/haar2021/en/view.html>
HA Annual Report 2021/22 – <https://www.housingauthority.gov.hk/mini-site/haar2122/en/index.html>
HA Annual Report 2022/23 – <https://www.housingauthority.gov.hk/mini-site/haar2223/en/index.html>

#: <https://www.housingauthority.gov.hk/en/about-us/publications-and-statistics/actual-public-rental-housing-production/index.html>

^: <https://www.housingauthority.gov.hk/en/about-us/publications-and-statistics/forecast-public-housing-production/index.html>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering (i) the expected increasing number of public housing estates, including HOS estates, in the aforesaid coming years; (ii) it is unlikely that the Hong Kong public housing sector will shrink nor suffer from material adverse impact in the near future as public housing remained an important policy focus of the Hong Kong government and HA; and (iii) generally, property management services were required for each of these public housing estates, we were of the view that the market demand for property management services for these public housing estates has been and was expected to continue growing during at least the four years ending 31 March 2027.

We also noted from the website of the HA and understood from the Company that there is an entry-barrier to the public housing estates property management industry because potential companies or participants have to be pre-qualified and included in the HA List of Property Services Agents before they could submit tenders for contracts of the HA. Therefore, the Directors were of that view, and we concurred, that competition typically existed among existing industry participants instead of new industry players. We also understood from the Company that the Hong Kong public housing estates property management industry is fragmented as there exists an approximate ceiling as to the aggregate number of flats an individual property management service provider could be awarded by HA to provide service at any given time, such as neither the Group nor its competitors could dominate the market. As at 31 December 2023, according to the record of the Company, it is approximately halfway from such approximate ceiling, and therefore the Group still has the opportunity to secure more service contracts in this sense.

We have also enquired with the Company and understood that the Group typically sets its tender prices on a cost-plus basis, which means that the Group's tender price for a contract will generally consist of (i) all its estimated costs and expenses in relation to its performance of obligations under the contract, including but not limited to labour costs, subcontracting fee if any, cleaning material costs and utilities expenses; and (ii) a top-up margin representing certain percentage of all its estimated costs and expenses in relation to the contract. We also understood from the Company that its tender prices also take into account external factors such as prevailing statutory minimum wage rate and inflation rate from time to time. We have reviewed tender documents of the Group and concurred with the aforesaid representations of the Company. We have also reviewed the tendering record of the Group and noted that the Group submitted 17 and 12 tenders for public rental housing estate contracts and HOS estate contracts, respectively, and was able to win 2 and 5 contracts, for the year ended 31 December 2023 despite that the Group did face competitions from its competitors, and we therefore placed no doubt to the Group's ability to compete for and secure contracts. We were of the view that the cost-plus basis of the Group in setting its tender prices enables the Group to generally enjoy a certain amount of profit margin so long as the Group can win a tender and secure a contract.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis that (i) the number of public rental housing estates has been increasing during the three years ended 31 March 2023; (ii) 857 public rental housing flats and a total of 9,730 HOS and Green Form flats of the HA were produced during the year ended 31 March 2023, and about 7,600 public rental housing flats originally scheduled for completion by the end of the year ended 31 March 2023 was delayed with completion deferred to the year ending 31 March 2024; (iii) a significant amount of new public housing flats, which included HOS flats, was estimated to be completed during each of the four years ending 31 March 2027; (iv) therefore the number of public housing estates, including HOS estates, in the aforesaid coming years was expected to continue increasing; (v) public housing remains an important policy focus of the Hong Kong government and HA and thus is unlikely to shrink nor suffer from material adverse impact; (vi) property management services were generally required for each of these public housing estates; (vii) with the aforesaid expected growth in the public housing sector, the market demand for property management services for these public housing estates was also expected to continue growing during at least the four years ending 31 March 2027; (viii) the cost-plus basis of the Group in setting its tender prices enables the Group to generally enjoy a certain amount of profit margin so long as the Group can win a tender and secure a contract; and (ix) we understood from the Group that it has been submitting and will continue to submit more tenders subsequent to 6M2023 with an aim to win and secure more contracts, we were of the view that the future prospect of both the Hong Kong public housing property management service sector and the Group is improving.

(iii) Our analysis on the Share Offer in respect of the background of the Group

Historical financial performance and future developments of the Group and its industry

We noted that the Group remained profit-making for the FY2021, FY2022, 6M2023 and 3Q2023. We also agreed that the future prospect of both the Hong Kong public housing property management service sector and the Group is improving. In addition, although the Group reduced the number of tender bidding in light of various risks during the FY2022, the Group has been submitting more tenders during the nine months ended 30 September 2023 and intends to continue doing so subsequently. We also noted that the number of contracts awarded to the Group increased from 2 for the FY2022 to 7 already for the nine months ended 30 September 2023, and therefore we did not doubt the Group's ability to secure contracts in the future. Nonetheless, we noted that the revenue of the Group indeed decreased between FY2021 and FY2022, between 6M2022 and 6M2023, and between 3Q2022 and 3Q2023, respectively. There exists uncertainty of whether and how the Group's revenue will grow in the future. Besides, according to the website of the Stock Exchange, the closing prices of the Shares remained below HK\$0.180 during the entire FY2021, FY2022 and the year ended 31 December 2023. The Share Offer Price of HK\$0.350 per Offer Share represents a significant premium over the closing prices of the Shares during the entire FY2021, FY2022 and the year ended 31 December 2023. Although the closing prices of the Share increased to near the Share Offer Price around the publication of the Joint Announcement, we considered that it could be a result of, among other market factors, the Share Offer, and still

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

they did not exceed the Share Offer Price. Even if the Group records growth in its revenues and net profits in the future, it remains uncertain that whether and when the trading prices of the Shares will rise above the Share Offer Price of HK\$0.350 per Offer Share in the future. Therefore, we considered that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of them, and that the Share Offer represents a satisfactory investment exit opportunity for Independent Shareholders to realise their investments in the Shares.

Financial positions of the Group

We noted that the aggregate amount of the Group's pledged bank deposits, short term bank deposits and cash and bank balances (collectively, the "**Current Financial Resources**") as at 30 June 2023, being the latest date up to which the unaudited condensed consolidated statement of financial position of the Group was available as at the Latest Practicable Date, amounted to approximately HK\$130.50 million. Such amount of the Current Financial Resources as at 30 June 2023, divided by the 800,000,000 Shares in issue as at the Latest Practicable Date, implied that the Current Financial Resources attributable to each Share amounted to approximately HK\$0.163 as at 30 June 2023. The Share Offer Price of HK\$0.350 per Offer Share represented a premium of approximately 114.72% to the Current Financial Resources attributable to each Share of approximately HK\$0.163 as at 30 June 2023. We also noted that the Share Offer Price of HK\$0.350 per Offer Share represented a premium of approximately 73.27% to the unaudited consolidated net assets per Share of approximately HK\$0.202 as at 30 June 2023.

Apart from the premiums of the Share Offer Price over the Current Financial Resources attributable to each Share and unaudited consolidated net assets per Share as at 30 June 2023, we also considered that (i) while the Current Financial Resources attributable to each Share as at 30 June 2023 was a theoretical calculation, there is no guarantee that Shareholders will eventually receive such Current Financial Resources in full or in part, if even any, because the Group may apply or conserve such Current Financial Resources for its future expenses, developments and investments; and (ii) there is no guarantee that the amount of unaudited consolidated net assets of the Group could be realised into liquid financial resources without discount as there may not be an immediate and efficient market for the Group to identify and approach immediate purchasers for selling all its net assets without offering discounts as incentives. In contrast, the Independent Shareholders will receive corresponding payments in cash within a short period of time should they choose to accept the Share Offer pursuant to the arrangements disclosed in the Composite Document.

Taking into account the aforesaid significant premiums of the Share Offer Price to both the Current Financial Resources attributable to each Share and unaudited consolidated net assets per Share as at 30 June 2023, and that the Independent Shareholders will receive corresponding payments in cash should they choose to accept the Share Offer but in contrast there is no guarantee that they will receive the Current Financial Resources nor unaudited consolidated net assets attributable to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

each Share as at 30 June 2023, we were of the view that, so far as the latest unaudited condensed consolidated statement of financial position of the Group attributable to the owners of the Company is concerned, the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of them.

We also noted the unaudited consolidated net assets per Share of approximately HK\$0.194 as at 30 September 2023. Nevertheless, the Share Offer Price of HK\$0.350 per Offer Share still represented a premium of approximately 80.41% to it, and there is no guarantee that such amount of unaudited consolidated net assets of the Group could be realised into liquid financial resources without discount. In this relation, we still considered the Share Offer Price to be fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of them.

II. Information of the Offeror

As disclosed in the Composite Document,

- (i) The Offeror is incorporated in the Cayman Islands with limited liability and its principal activity is investment holding. It is a direct wholly-owned subsidiary of AAI; and
- (ii) AAI is a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711) and its business nature of investment holding. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and assets leasing, professional services (including provision of security, tunnel and other facility management services), non-franchised bus services and manufacturing of positron emission tomography radiopharmaceuticals.

We noted that the principal activities of the subsidiaries of AAI (collectively, the “**AAI Group**”) included, among other things, property development and assets leasing and professional services including provision of security, tunnel and other facility management services. We also noted from the annual report of AAI for the year ended 31 March 2023 and interim report of AAI for the six months ended 30 September 2023 that although the AAI Group was engaged in construction works relevant to public housings in Hong Kong, it did not provide management services to public housings during the aforesaid year/period, and it did not come to our attention that the AAI Group has experience in the provision of property management services to public housings in Hong Kong. Therefore, there is no certainty that after Completion, the AAI Group could bring synergy to, or help the development of, the Group. Taking this into account, and together with other factors discussed through this letter, we were of the view that the Share Offer represents a satisfactory investment exit opportunity for Independent Shareholders to realise their investments in the Shares.

III. Principal terms of the Share Offer

(i) The Share Offer Price

The Share Offer Price of HK\$0.350 per Offer Share represents:

- (a) a premium of approximately 1.45% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 22.81% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 26 January 2024, being the Last Trading Day;
- (c) a premium of approximately 25.45% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.279 per Share;
- (d) a premium of approximately 38.34% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.253 per Share;
- (e) a premium of approximately 73.27% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.202 per Share;
- (f) a premium of approximately 86.17% to the audited consolidated net assets per Share of approximately HK\$0.188 as at 31 December 2022, calculated based on the Group's audited consolidated net assets of approximately HK\$150,291,000 as at 31 December 2022 as disclosed in the annual report of the Company published on 30 March 2023 and 800,000,000 Shares in issue as at 31 December 2022;
- (g) a premium of approximately 73.27% to the unaudited consolidated net assets per Share of approximately HK\$0.202 as at 30 June 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$161,349,000 as at 30 June 2023 as disclosed in the interim report of the Company published on 10 August 2023 and 800,000,000 Shares in issue as at 30 June 2023; and
- (h) a premium of approximately 80.41% to the unaudited consolidated net assets per Share of approximately HK\$0.194 as at 30 September 2023, calculated based on the Group's unaudited consolidated net assets of approximately HK\$154,905,000 as at 30 September 2023 as disclosed in the third quarterly report of the Company published on 14 November 2023 and 800,000,000 Shares in issue as at 30 September 2023.

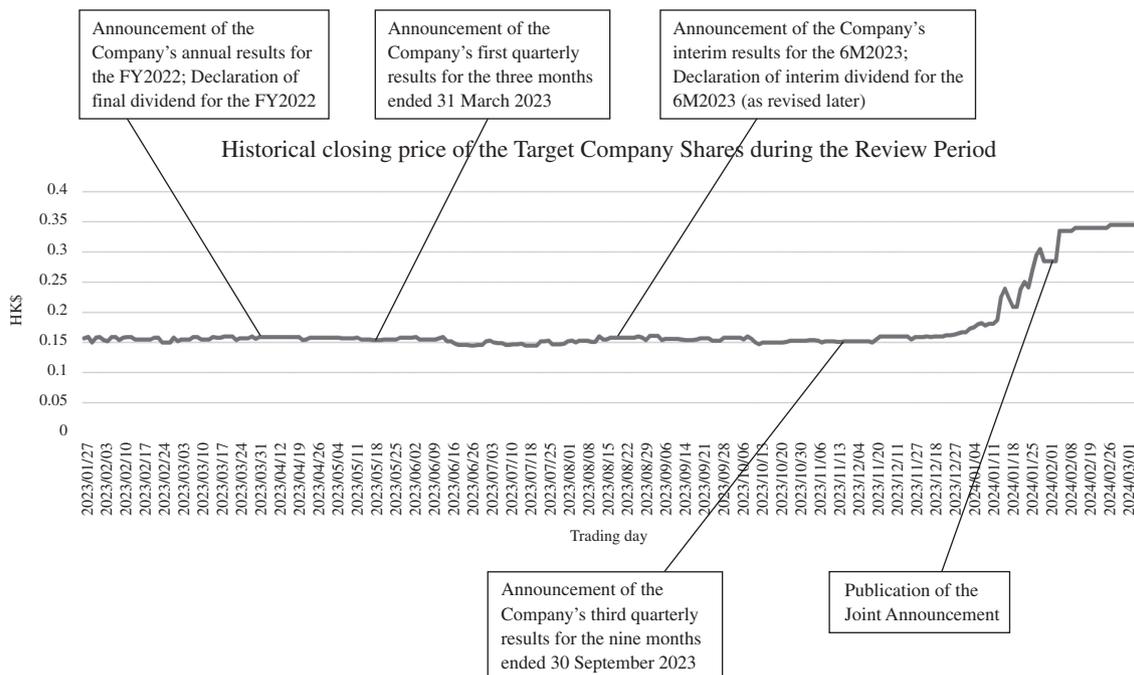
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Our analysis on the Share Offer Price*

(a) *Historical price performance of the Shares*

In order to assess the fairness and reasonableness of the Share Offer Price, we have performed a review on the daily closing prices and trading volume of the Shares from 27 January 2023 up to and including the Last Trading Day (the “**Pre-Announcement Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day), and the period from 1 February 2024 (as trading in the Shares was halted on 29, 30 and 31 January 2024 pending the release of the Joint Announcement) up to and including the Latest Practicable Date (the “**Post-Announcement Period**”, together with the Pre-Announcement Period, the “**Review Period**”) and compared with the Share Offer Price. We consider the Review Period to be an adequate period covering the annual operating cycle of the Company, particularly being the approximate twelve months of 2023 after the relaxation of COVID-19 pandemic and control measures in Hong Kong, for analysing and illustrating the general trend and level of movement of the daily closing price and trading volume of the Shares.

The graph below illustrates the closing prices of the Shares during the Review Period.



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pre-Announcement Period

During the Pre-Announcement Period, the closing prices of the Shares ranged from HK\$0.145 to HK\$0.305, with an average of approximately HK\$0.160, per Share. Between 27 January 2023 and 18 December 2023 (both date inclusive), the closing prices of the Shares remained stable between HK\$0.145 and HK\$0.161 per Share although the Company announced its results for the FY2022, three months ended 31 March 2023, 6M2023 and nine months ended 30 September 2023, respectively, and declared final dividend for the FY2022 and interim dividend for the 6M2023 (as revised) during such period. On 19 December 2023, the closing price of the Shares broke through its previous ceiling of HK\$0.161 per Share since 27 January 2023, resting at HK\$0.162 per Share. After 19 December 2023, the closing prices of the Shares exhibited a generally increasing trend, reaching the highest during the Pre-Announcement Period of HK\$0.305 per Share on 25 January 2024 and resting at HK\$0.285 per Share on 26 January 2024, the Last Trading Day. We have enquired with the Directors for the probable reasons for the general increase in the closing prices of the Shares since 19 December 2023, and the Directors advised us that they were not aware of any affirmative happenings which might have affected the prices of the Shares.

We noted that the Share Offer Price of HK\$0.350 per Offer Share is higher than all the closing prices of the Shares during the Pre-Announcement Period.

Post-Announcement Period

After the publication of the Joint Announcement, the closing price of the Shares further increased to HK\$0.335 on 1 February 2024, then to HK\$0.34 on 7 February 2024 and to HK\$0.345 up to 1 March 2024. We considered that such increase in the Share price after the Joint Announcement may reflect the market reaction to the Share Offer and the Share Offer Price of HK\$0.350 per Offer Share. We also considered that there is no certainty that the trading prices of the Shares will remain at this level around the Share Offer Price in the future.

We noted that the Share Offer Price of HK\$0.350 per Offer Share also remained higher than all the closing prices of the Shares during the Post-Announcement Period.

Shareholders should note that the information set out above is not an indication of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical trading liquidity of the Shares

We have also reviewed the trading liquidity of the Share during the Review Period, which is set out in the following table.

Month/period	Number of trading days	Average daily number of Shares traded <i>(Approximately)</i>	% of average daily number of Shares traded to the total number of Shares in issue <i>(Note 1)</i>	% of average daily number of Shares traded to the total number of Shares in issue held by Independent Shareholders <i>(Note 2)</i>
Pre-Announcement Period				
2023				
January (from 27 January 2023)	3	53,333	0.0067%	0.0217%
February	20	169,000	0.0211%	0.0687%
March	23	274,783	0.0343%	0.1116%
April	17	39,412	0.0049%	0.0160%
May	21	169,524	0.0212%	0.0689%
June	21	140,000	0.0175%	0.0569%
July	20	40,500	0.0051%	0.0165%
August	23	403,913	0.0505%	0.1641%
September	19	98,421	0.0123%	0.0400%
October	20	108,000	0.0135%	0.0439%
November	22	161,364	0.0202%	0.0656%
December	19	384,211	0.0480%	0.1561%
2024				
January (up to 26 January 2024, the Last Trading Day)	19	2,676,842	0.3346%	1.0876%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Month/period	Number of trading days	Average daily number of Shares traded <i>(Approximately)</i>	% of average daily number of Shares traded to the total number of Shares in issue <i>(Note 1)</i>	% of average daily number of Shares traded to the total number of Shares in issue held by Independent Shareholders <i>(Note 2)</i>
Post-Announcement Period				
2024				
January (subsequent to 26 January 2024)	0	0	0%	0%
February	19	3,041,579	0.3802%	1.2358%
March (up to 1 March 2024, the Latest Practicable Date)	1	4,240,000	0.5300%	1.7227%
Average			0.1000%	0.3251%
Maximum			0.5300%	1.7227%
Minimum			0.0049%	0.0160%

Notes:

1. Based on 800,000,000 Shares in issue which remained unchanged between 27 January 2023 and 1 March 2024 (both dates inclusive).
2. Based on 246,130,000 Shares in issue held by Shareholders other than the Offeror and parties acting in concert with it as set out in the Composite Document.

As set out in the table above, during the Pre-Announcement Period, the percentage of average daily trading volume of the Shares by month/period were (i) in the range of approximately 0.0049% to approximately 0.3346% to the total number of issued Shares; and (ii) in the range of approximately 0.0160% to approximately 1.0876% to the total number of issued Shares held by the Independent Shareholders. We have also enquired with the Directors for the probable reasons for the surge in the trading volume of the Shares in January 2024 (up to the Last Trading Day), and the Directors advised us that they were not aware of any affirmative happenings which might have affected the trading volume of the Shares. Despite the surge in the trading volume of the Shares in January 2024 (up to the Last Trading Day), being an average daily trading volume of approximately 0.3346% and 1.0876% to the total number of issued Shares and total number of issued Shares held by the Independent Shareholders, respectively, we considered that the trading volume of the Shares was low during the Pre-Announcement Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Post-Announcement Period, we noted that the average daily trading volume of the Shares further increased, being 0.3802% and 1.2358% in February 2024 and 0.5300% and 1.7227% on 1 March 2024 to the total number of issued Shares and total number of issued Shares held by the Independent Shareholders, respectively. We considered that such increment in the trading volume of the Shares may be caused by positive market reaction in relation to the transactions set out in the Joint Announcement. Nevertheless, we still considered that the trading volume of the Shares was low during the Post-Announcement Period.

The above reflected that the trading liquidity of the Shares has been very low on the Stock Exchange, and implied that investors may have low interest in trading the Shares, especially during the Pre-Announcement Period, and one could find it difficult to trade a large number of Shares on the market under such low liquidity. Although the trading liquidity of the Shares increased during the Post-Announcement Period, it is uncertain that the liquidity of the Shares will remain at such level in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large number of Shares in the open market. The Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Share Offer Price.

(c) Market comparable analysis

In further assessing the fairness and reasonableness of the Share Offer Price, we have attempted to compare its implied trading multiples with those of comparable companies with similar business activities as the Group. We first considered to adopt price-to-earnings ratio (the “**P/E Ratio**”) and price-to-book ratio (the “**P/B Ratio**”) as the trading multiples in the analysis, both being commonly adopted method of trading multiple analysis in the market to assess a company’s valuation. We have also considered price-to-sales ratio analysis. Nonetheless, we noted that not all comparable companies are profit-making, and that the conditions of a profit-making company like the Company and a loss-making company could be different. We also considered that the P/E Ratio is a better alternative than the price-to-sales ratio for the purpose of this analysis as while the former also emphasizes financial performance of the companies, it screens out loss-making companies which could have different operational and financial conditions than profit-making companies like the Company, such that the comparison could be more meaningful. Therefore, we did not adopt the price-to-sales ratio comparison in our analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We then attempted to identify comparable companies with similar business activities as the Group for the analysis. In selecting comparable companies with similar business activities and market size of the Company, we have initially attempted to screen for companies that fall within the following criteria: (i) the shares of such comparable companies are listed on the Stock Exchange so that credible financial information of them are publicly available; (ii) such comparable companies have a market capitalisation of between HK\$100 million and HK\$500 million as at the Last Trading Day to ensure that they are of comparable size and scale of operation with the Company for a meaningful comparison and to exclude companies with excessively smaller or larger market presence than the Company; (iii) such comparable companies are profit making in their respective latest audited financial year so that P/E Ratio is applicable to them; and (iv) such comparable companies are principally engaged (i.e. greater than 50% of their respective total annual revenue for their latest audited financial year) in similar business activities as the Group, being the provision of property management services mainly to the public housing market in Hong Kong. Nonetheless, based on the aforesaid mentioned initial criteria, we have encountered limitations and considered solutions as follows:

1. Based on the criteria of (i), (ii) and (iii) above, we were unable to identify companies that are principally engaged in the provision of property management services mainly to the public housing market in Hong Kong. While such companies that fall within the criteria of (i), (ii) and (iii) above were principally engaged in the provision of property management services, they did not principally provide such services to public housing markets, nor did they principally provide such services in Hong Kong. We have then considered but found it unmeaningful to loosen criteria (i), (ii) and (iii) above, particularly criteria (ii) and (iii), as it would be unmeaningful to compare the Company with companies that may have excessively smaller or larger market size and thus significantly difference operation conditions and performance, and companies in a loss-making position which is opposite to the profit-making position of the Group. We have then also considered but found it unmeaningful to loosen criteria (iv) because those companies that fall within criteria (i), (ii) and (iii) above are principally engaged in the provision of property management services outside Hong Kong and not to public housing markets. Instead, such companies were generally principally operated in the PRC market and generally focused on private housing or commercial market, and therefore the business, operating and market environments of such comparable companies could be significantly different from those of the Company, despite that all of them were principally engaged in the provision of property management services; and
2. We further noted that none of the comparable companies that fall within the criteria (i), (ii) and (iii) above were listed on GEM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the foregoing lack of apple-to-apple comparable targets, we were of the view that using comparable analysis to evaluate the fairness and reasonableness of the Share Offer Price is not feasible. Therefore, Independent Shareholders were advised to focus on our other analysis of the Share Offer Price stated in the remaining parts of this letter.

(d) Conclusion on the fairness and reasonableness of the Share Offer Price

Having considered that:

1. the Share Offer Price of HK\$0.350 per Offer Share represents premiums to the closing prices of the Shares as quoted on the Stock Exchange on, and for the 5, 10 and 30 consecutive trading days immediately prior to and including, the Last Trading Day, the audited consolidated net assets per Share as at 31 December 2022 and the unaudited consolidated net assets per Share as at 30 June 2023 and 30 September 2023, respectively;
2. the Share Offer Price was higher than the closing prices of the Shares at all times during the Review Period;
3. although the Group remained profit-making for the FY2021, FY2022, 6M2023 and 3Q2023, and we agreed that the future prospect of both the Hong Kong public housing property management service sector and the Group is improving, and that the Group has submitted more tenders and was awarded more contracts during the nine months ended 30 September 2023 when compared with those during the FY2022, the revenue of the Group indeed decreased between FY2021 and FY2022, between 6M2022 and 6M2023, and between 3Q2022 and 3Q2023, respectively, and there exists uncertainty of whether and how the Group's revenue will grow in the future. In addition, even if the Group records growth in its revenues and net profits in the future, it remains uncertain that whether and when the trading prices of the Shares will rise above the Share Offer Price of HK\$0.350 per Offer Share in the future; and
4. the liquidity of the Shares has been quite low during the Pre-Announcement Period, and despite its surge during the Post-Announcement Period, it is uncertain that it will remain at such level in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market,

we were of the view that the Share Offer Price is fair and reasonable as far as the Independent Shareholders are concerned.

IV. Profit Targets and Profit Forecast

With reference to the Composite Document, the Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). The Initial Consideration in the sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A if the Profit Targets are satisfied:

- A. If the 2024 Net Profit is of HK\$15,000,000 or more, then the 1st Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2024;
- B. If the 2025 Net Profit is of HK\$15,000,000 or more, then the 2nd Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2025;
- C. If the 2024 Net Profit is of HK\$13,000,000 or more and is less than HK\$15,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, then the 1st Deferred Consideration shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2025; for the avoidance of doubt, if the 2024 Net Profit less than HK\$13,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, the 1st Deferred Consideration shall not be payable; and
- D. If the 2026 Net Profit is of HK\$15,000,000 or more, then 3rd Deferred Consideration in the sum of HK\$9,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Company's publication of the annual report for the year ending 31 December 2026.

If the Group undertakes new business operations other than property management services to be provided to public and subsidised housing in Hong Kong, the Offeror and R5A shall discuss in good faith as to whether any of the Profit Targets shall be adjusted, provided that the aggregate amount of all the Deferred Consideration shall not be more than HK\$29,000,000. For the avoidance of doubt, such adjustments may relate to the amounts of Profit Targets, the timing of paying the Deferred Consideration (where applicable) and/or the amount of Deferred Consideration payable in each financial year of the Company. The overall effect of such adjustments (if any) will be maintaining or reducing the aggregate amount of the Deferred Consideration.

If any of the Profit Targets is not satisfied, the total Consideration payable to R5A will be reduced by the relevant amount of Deferred Consideration, while the total Consideration payable to the other Vendors will not be reduced.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the above terms under the Sale and Purchase Agreement, for R5A to obtain the Deferred Consideration, the Company will have to achieve the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit, which shall not be less than HK\$15,000,000 in each year. Such Profit Targets constitute a profit forecast under Rule 10 of the Takeovers Code.

We noted that the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit, which shall not be less than HK\$15,000,000 in each year, were approximately 29.18% lower than the Group's net profit of approximately HK\$21,180,000 for the FY2022. We have also reviewed the Profit Targets and discussed with the Directors on the bases and assumptions, which have been set out in the section headed "Profit Targets and Profit Forecast" of the Composite Document, upon which the Profit Targets have been made. In particular, we have reviewed the Group's historical completion and renewal records of its contracts, the letter from the HA given to the Group in relation to its performance scores, the letters of award given to the Group for its five tenders won during the year ended 31 December 2023 and obtained understanding from the Company that it will continue to submit tenders for contracts available to it during the year ending 31 December 2024, and the existing banking facilities letter issued by the financial institution to the Group regarding the available credit limit provided to the Group. We have also considered the letter from PricewaterhouseCoopers dated 5 March 2024 issued to the Board, the text of which is set out in the section headed "Letter from the Auditor" in the Appendix V to the Composite Document, which states that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the Directors as set out on pages 28 to 29 of the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. On the basis of foregoing, we are satisfied that the Profit Targets including the bases and assumptions, for which the Directors are solely responsible for, have been made after due care and consideration, and on a reasonable basis.

Nonetheless, it should be borne in mind that even if the Group fulfills the Profit Targets and records growth in its revenues and net profits in the future, it remains uncertain that whether and when the trading prices of the Shares will rise above the Share Offer Price of HK\$0.350 per Offer Share in the future as the Share Offer Price represented premiums over the historical and prevailing trading prices of the Shares, details of which have been discussed in the paragraphs headed "(ii) Our analysis on the Share Offer Price — (a) Historical price performance of the Shares" above. Besides, the liquidity of the Shares have been low during the Review Period, and Independent Shareholders could find it difficult to dispose of a large block of Shares in the market. Therefore, the Profit Targets do not alter our overall recommendations to the Independent Board Committee and Independent Shareholders as to the acceptance of Share Offer below.

V. Other considerations

(a) The Offeror's intention in relation to the Group

It is set out in the Composite Document that following the close of the Share Offer, the Offeror intends to continue the existing principal business of the Group and it will maintain the listing status of the Company on GEM. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

The Offeror will conduct a review on the existing principal business and the financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

(b) Proposed change of board composition of the Company

As at the Latest Practicable Date, the Board comprised Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Sung Alfred Lee Ming and Mr. Tang Kong Fuk as executive Directors, Ms. Tam Mo Kit as non-executive Director and Mr. Wong Bay, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny as independent non-executive Directors.

Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert intend to resign as Board members taking effect on the later of first closing date of the Share Offer or 2 April 2024.

The Offeror intends to nominate (1) Mr. Pang Yat Ting, Dominic, (2) Mr. Xu Jianhua, Jerry, (3) Ir Dr. Pang Yat Bond, Derrick JP and (4) Mr. Shea Chun Lok, Quadrant as four new executive directors of the Company Board, and Mr. Yu Cheeric and Ms. Fung Nancy Ruth will become new independent non-executive Directors to the Board, all with effect from the earliest time as permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the GEM Listing Rules.

The biographic details of the above-mentioned nominated persons are set out in the section headed "Proposed changes to the Board Composition of the Company" in the "Letter from the Board" in the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon the resignation of Mr. Sung Alfred Lee Ming, Mr. Tang Kong Fuk, Ms. Tam Mo Kit and Mr. Wong Siu Fai Albert as Board members and the appointment of the above mentioned nominated persons as new executive and independent non-executive Directors, the Board will comprise six executive Directors, namely Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick and Mr. Shea Chun Lok, Quadrant, Mr. Ho Chu Ming and Mr. Ng Fuk Wah, and four independent non-executive Directors, namely Ms. Fung Nancy Ruth, Mr. Yu Cheeric, Mr. Wong Bay and Mr. Ng Kee Fat Ronny.

We noted from AAI's annual report for the year ended 31 March 2023 that while Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick JP and Mr. Shea Chun Lok, Quadrant generally have extensive qualifications in engineering, property development and accounting and finance, and have rich experience in managing the AAI Group, it did not come to our attention that they have equally rich experience in respect of the property management services to public housings in Hong Kong. Therefore, there is no certainty that after Completion, the four nominated new executive directors could bring synergy to, or help the development of, the Group. Taking this into account, and together with other factors discussed through this letter, we were of the view that the Share Offer represents a satisfactory investment exit opportunity for Independent Shareholders to realise their investments in the Shares.

(c) Maintaining the public float and the listing status of the Company

As set out in the Composite Document, the Offeror intends to maintain the listing of the Shares on GEM following the close of the Share Offer. The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- (i) false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The directors of the Offeror and the new members to be appointed to the Company Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include but not limited to placing down of sufficient number of accepted Shares by the Offeror. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In arriving at our recommendation, we have considered the principal factors and reasons as discussed above, in particular,

- (i) despite that the Group managed to remain at a profit making position for the FY2022, 6M2023 and 3Q2023, and we were of the view that the future prospect of both the Hong Kong public housing property management service sector and the Group is improving on the basis set out in the paragraphs headed “Prospect of the Group and its industry” in this letter, and that the Group has submitted more tenders and was awarded more contracts during the nine months ended 30 September 2023 when compared with those during the FY2022, there were decreases in the Group’s revenues between FY2021 and FY2022, 6M2022 and 6M2023, and 3Q2022 and 3Q2023, respectively;
- (ii) the Share Offer Price is considered fair and reasonable taking into account the Group’s prevailing financial positions;
- (iii) even if the Group fulfills the Profit Targets and records growth in its revenues and net profits in the future, it remains uncertain that whether and when the trading prices of the Shares will rise above the Share Offer Price of HK\$0.350 per Offer Share in the future as the Share Offer Price represented premiums over the historical and prevailing trading prices of the Shares as further summarised below, and therefore it does not alter our overall recommendations to the Independent Board Committee and Independent Shareholders as to the acceptance of Share Offer below;
- (iv) although AAI and its subsidiaries were principally engaged in, among other things, the provision of security, tunnel and other facility management services, and the four nominated executive directors by the Offeror generally have extensive qualifications in engineering, property development and accounting and finance, and have rich experience in managing the AAI Group, there is no guarantee that synergy will be created for the Group after the Share Offer;
- (v) on the other hand, the Share Offer Price of HK\$0.350 per Offer Share represents premiums to the closing prices of the Shares as quoted on the Stock Exchange on, and for the 5, 10 and 30 consecutive trading days immediately prior to and including, the Last Trading Day, the audited consolidated net assets per Share as at 31 December 2022 and the unaudited consolidated net assets per Share as at 30 June 2023 and 30 September 2023, respectively;
- (vi) the Share Offer Price was higher than the closing prices of the Shares at all times during the Review Period; and
- (vii) the liquidity of the Shares has been quite low during the Pre-Announcement Period, and despite its surge during the Post-Announcement Period, it is uncertain that it will remain at such level in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we consider the terms of the Share Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer.

Nonetheless, for those Independent Shareholders who are optimistic about the future prospects of the Group under the new ownership and/or have a relatively long term investment horizon, they may retain their investment in the Shares by not accepting the Share Offer. These Independent Shareholders are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Share Offer Period.

The Independent Shareholders, whether intended or not to accept the Share Offer, are reminded to note the recent fluctuations in the price of the Shares. There is no guarantee that the current market price will or will not sustain, and will or will not be higher than the Share Offer Price, during and after the close of the Share Offer Period. The Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Share Offer Period for acceptance and shall, having regard to their own circumstances and investment objectives, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Share Offer.

The Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Composite Document, the appendices and the form of acceptance, if they wish to accept the Share Offer.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED

Leo Chan **Ernest Lam**
Managing Director *Managing Director*

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.

Mr. Ernest Lam is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

- (a) To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect hereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offer Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Modern Living Investments Holdings Limited — Share Offer” on the envelope, as soon as possible and in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares to the Registrar by no later than 4:00 p.m. on the Closing Date; or
 - (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares to the Registrar by no later than 4:00 p.m. on the Closing Date; or

- (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Offer Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be delivered to the Registrar. The Offeror shall have the absolute discretion to decide whether any Offer Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Offer Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Somerley and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code) and the Registrar has recorded that the Form of Acceptance and any relevant documents as required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares will be given.

2. SETTLEMENT OF THE SHARE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect hereof) in respect of the relevant Offer Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) HKEx Business Days after the date of receipt by the Registrar of the duly completed acceptances of the Share Offer and all relevant documents of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), 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 accepting Independent Shareholder.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Share Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Share Offer is extended or revised with the consent of the Executive.
- (b) The Offeror and the Company will jointly publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been extended, revised or have expired.
- (c) If the Share Offer is extended or revised, the announcement of such extension or revision will state the next closing date or that the Share Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Share Offer is closed to the Independent Shareholders who have not accepted the relevant Share Offer.

- (d) If, in the course of the Share Offer, the Offeror revises the terms of the Share Offer, all Independent Shareholders, whether or not they have already accepted the relevant Share Offer, will be entitled to accept the revised Share Offer under the revised terms. The revised Share Offer will be kept open for at least fourteen (14) days after the date of the revised Share Offer document.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Share Offer as so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Offer Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Share Offer. The Offeror must post an announcement in accordance with the requirements of the GEM Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Share Offer has been revised, extended, or has expired. The announcement will state the total number of Shares:
 - (i) for which acceptances of the Share Offer have been received;
 - (ii) held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period; and
 - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and/or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Offer Shares represented by acceptances as of the Closing Date, only valid acceptances that are in all respects complete, in good order and fulfill the acceptance conditions set out in this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, unless the Share Offer is extended or revised with the consent of the Executive, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Share Offer will be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules, where appropriate.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Share Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (b) below.
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Share Offer as described under the paragraph headed “5. Announcements” above), the Executive may require that acceptors of the Share Offer be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) HKEx Business Days after the Share Offer is withdrawn, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholders at their own risks.

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Share Offer available to all Independent Shareholders, including the Overseas Shareholders. As the Share Offer to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions, the Overseas Shareholders and beneficial owners of the Offer Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Share Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, legal and/or regulatory requirements and the payment of any issue, transfer, cancellation or other taxes and duties due by such Overseas Shareholders in respect of the acceptance of the Share Offer in such jurisdictions.

The Offeror and the parties acting in concert with it, the Company, Somerley, Red Solar, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Share Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes or duties as such persons may be required to pay.

Acceptance of the Share Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the all applicable laws and requirements have been complied with and such Overseas Shareholder is permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. The Overseas Shareholders should consult their professional advisers if in doubt.

8. TAXATION ADVICE

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror and the parties acting in concert with it, the Company, Somerley, Red Solar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Offer accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and the parties acting in concert with it, Somerley, Red Solar and any of their respective directors nor the Registrar or the company secretary of the Company or other parties involved in the Share Offer or any of their respective agents accept any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.

- (d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Somerley and/or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Offer Shares.
- (f) Acceptance of the Share Offer by any person or persons will be deemed to constitute a representation and warranty by such person or persons to the Offeror and Somerley that the Offer Shares are sold to the Offeror free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (g) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Offer Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Offer Shares held by such nominee for such beneficial owner who is accepting the Share Offer.
- (h) Any Independent Shareholders accepting the Share Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no person other than the Offeror and the accepting Independent Shareholders may enforce any terms of the Share Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong).

1. FINANCIAL SUMMARY OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022, the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 and 2023, respectively, and the unaudited consolidated financial information of the Group for the nine months ended 30 September 2022 and 2023, respectively as extracted from the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022, the interim reports of the Company for the six months ended 30 June 2022 and 2023, and the third quarterly report of the Company for the nine months ended 30 September 2022 and 2023, respectively.

	For the nine months ended 30 September		For the six months ended 30 June		For the year ended 31 December		
	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2021 HK\$'000 (audited)	2022 HK\$'000 (audited)
Revenue	327,270	250,179	220,959	163,462	459,415	479,758	405,987
Other income	8,247	3,835	6,131	3,549	9,046	2,067	11,022
Other losses, net	(3,707)	361	(2,005)	1,179	307	(1,072)	(2,078)
Employee benefits expenses	(298,370)	(223,668)	(202,984)	(147,411)	(392,667)	(407,346)	(368,888)
Subcontracting fee	—	—	—	—	(26,124)	(18,132)	—
Cleaning material costs	(4,061)	(2,042)	(3,156)	(1,352)	(6,643)	(6,057)	(4,807)
Utilities expenses	(1,006)	(926)	(521)	(497)	(1,993)	(1,574)	(1,316)
Depreciation of plant and equipment	(1,374)	(688)	(1,004)	(497)	(1,082)	(972)	(737)
Depreciation of right-of-use assets	—	—	—	—	(996)	(951)	(925)
Reversal of the impairment losses on trade receivables	367	—	367	—	(811)	444	367
Other operating expenses	(11,412)	(9,799)	(7,820)	(6,127)	(16,260)	(15,956)	(15,068)

	For the nine months ended 30 September		For the six months ended 30 June		For the year ended 31 December		
	2022	2023	2022	2023	2020	2021	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Share of result of investments accounted for using the equity method	—	(114)	—	(110)	—	—	(118)
Operating profits	15,954	17,138	9,967	12,196	22,192	30,209	23,439
Finance income/(costs), net	(33)	2,465	(38)	1,003	(216)	51	153
Profit before income tax	15,921	19,603	9,929	13,199	21,976	30,260	23,592
Income tax expense	(1,484)	(2,239)	(716)	(1,641)	(2,536)	(4,803)	(2,412)
Profit for the period/year attributable to:							
— Equity owners of the Company	14,437	17,364	9,213	11,558	19,440	25,457	21,180
— Non controlling interests	—	—	—	—	—	—	—
	<u>14,437</u>	<u>17,364</u>	<u>9,213</u>	<u>11,558</u>	<u>19,440</u>	<u>25,457</u>	<u>21,180</u>
Other comprehensive income/ (loss):							
<i>Items that will not be reclassified to profit or loss</i>							
Remeasurement of employee benefits obligations	(392)	(750)	(392)	(500)	4,768	(1,569)	2,376
Other comprehensive income/ (loss) for the year, net of tax	(392)	(750)	(392)	(500)	4,768	(1,569)	2,376
Total comprehensive income for the period/year attributable to:							
— Equity owners of the Company	14,045	16,614	8,821	11,058	24,208	23,888	23,556
— Non controlling interests	—	—	—	—	—	—	—
	<u>14,045</u>	<u>16,614</u>	<u>8,821</u>	<u>11,058</u>	<u>24,208</u>	<u>23,888</u>	<u>23,556</u>
Earnings per share							
Basic and diluted (HK cents per share)	<u>1.80</u>	<u>2.17</u>	<u>1.15</u>	<u>1.44</u>	<u>2.43</u>	<u>3.18</u>	<u>2.65</u>

Save as disclosed above, there was no item of any income or expense which was material in respect of the audited consolidated financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022, the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 and 2023, and the unaudited consolidated financial information of the Group for the nine months ended 30 September 2022 and 2023.

Final dividends of HK\$12,000,000 (HK\$1.5 cents per Share), HK\$12,000,000 (HK\$1.5 cents per Share) and HK\$6,000,000 (HK\$0.75 cent per Share) were declared for the years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively. An interim dividend of HK\$6,000,000 (HK\$0.75 cent per Share) was declared for the six months ended 30 June 2022.

Save as disclosed above, the Company declared no other dividend during the three years ended 31 December 2022.

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

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

The 2020 Financial Statements are set out on pages 38 to 78 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 31 March 2021. The 2020 Annual Report was posted on the websites of the Company (www.modernliving.com.hk) and the Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033101062.pdf>

The 2021 Financial Statements are set out on pages 38 to 84 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), which was published on 30 March 2022. The 2021 Annual Report was posted on the websites of the Company (www.modernliving.com.hk) and the Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033001187.pdf>

The 2022 Financial Statements are set out on pages 37 to 83 of the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which was published on 30 March 2023. The 2022 Annual Report was posted on the websites of the Company (www.modernliving.com.hk) and the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001000.pdf>

The 2023 Interim Financial Statements are set out on pages 5 to 18 of the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”), which was published on 10 August 2023. The 2023 Interim Report was posted on the websites of the Company (www.modernliving.com.hk) and the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0810/2023081000918.pdf>

The 2023 Third Quarterly Financial Statements are set out on pages 3 to 9 of the interim report of the Company for the nine months ended 30 September 2023 (the “**2023 Third Quarterly Report**”), which was published on 14 November 2023. The 2023 Third Quarterly Report was posted on the websites of the Company (www.modernliving.com.hk) and the Stock Exchange (www.hkexnews.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1114/2023111400521.pdf>

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

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, apart from normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness commitment, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, or guarantees, except for lease liability in a sum of approximately HK\$2.2 million and performance bonds with a bank and an insurance company in a sum approximates to HK\$64.4 million. The Directors do not consider it probable that a claim on the performance bonds will be made against the Group.

4. CONTINGENT LIABILITIES

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains sufficient insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 January 2024.

5. MATERIAL CHANGE

The Directors confirm that, save and except for the following, 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 to, and including the Latest Practicable Date:

1. the entering into of the Sale and Purchase Agreement;
2. the Share Offer;
3. the publication of the Group's unaudited condensed consolidated results for the three months ended 31 March 2023 (the "**2023 First Quarterly Results**") on 10 May 2023 where it was disclosed that, among other things, (a) the Group recorded a decrease in its revenue from approximately HK\$113.97 million for the three months ended 31 March 2022 to approximately HK\$78.25 million for the three months ended 31 March 2023; (b) the Group recorded an increase in its net profit from approximately HK\$4.46 million for the three months ended 31 March 2022 to approximately HK\$5.14 million for the three months ended 31 March 2023; and (c) the Group recorded an increase in its total equity from approximately HK\$148.80 million as at 31 March 2022 to approximately HK\$155.19 million as at 31 March 2023;

4. the publication of the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2023 (the "**2023 Interim Results**") on 10 August 2023 where it was disclosed that, among other things, (a) the Group recorded a decrease in its revenue from approximately HK\$220.96 million for the six months ended 30 June 2022 to approximately HK\$163.46 million for the six months ended 30 June 2023; (b) the Group recorded an increase in its net profit from approximately HK\$9.21 million for the six months ended 30 June 2022 to approximately HK\$11.56 million for the six months ended 30 June 2023; and (c) the Group recorded an increase in its total equity from approximately HK\$150.29 million as at 31 December 2022 to approximately HK\$161.35 million as at 30 June 2023;
5. the declaration of interim dividend for the six months ended 30 June 2023 by the Company on 10 August 2023, which has been fully paid. There is no outstanding dividend nor distribution as at the date of the Composite Document; and
6. the publication of the Group's unaudited condensed consolidated results for the nine months ended 30 September 2023 (the "**2023 Third Quarterly Results**") on 8 November 2023 where it was disclosed that, among other things, (a) the Group recorded a decrease in its revenue from approximately HK\$327.27 million for the nine months ended 30 September 2022 to approximately HK\$250.18 million for the nine months ended 30 September 2023; (b) the Group recorded an increase in its net profit from approximately HK\$14.44 million for the nine months ended 30 September 2022 to approximately HK\$17.36 million for the nine months ended 30 September 2023; and (c) the Group recorded an increase in its total equity from approximately HK\$140.78 million as at 30 September 2022 to approximately HK\$154.91 million as at 30 September 2023.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars in compliance with the Takeovers Code and the GEM Listing Rules and for the purpose of giving information with regard to the Company, the Offeror and the Share Offer.

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

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares with par value of HK\$0.01 each	<u>20,000,000</u>
<i>Issued and fully paid up</i>	
<u>800,000,000</u> Shares with par value of HK\$0.01 each	<u>8,000,000</u>

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2022, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

The Shares are listed and traded on GEM of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

3. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Reference Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
31 July 2023	0.152
31 August 2023	0.161
29 September 2023	0.158
31 October 2023	0.154
30 November 2023	0.16
29 December 2023	0.173
26 January 2024 (Last Trading Day)	0.285
31 January 2024	0.285
29 February 2024	0.345
1 March 2024 (Latest Practicable Date)	0.345

During the Reference Period, the highest closing price of Shares quoted on the Stock Exchange was HK\$0.345 per Share on trading days from 22 February 2024 to 1 March 2024, and the lowest closing price of Shares quoted on the Stock Exchange was HK\$0.147 per Share on 11 October 2023.

4. DISCLOSURE OF INTERESTS

(a) Directors' and the chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company or the associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of

the SFO, to be entered in the register referred to therein; (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code were as follows:

Name of Director	Capacity and nature	Number of Shares/ underlying Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital
Ms. Tam Mo Kit <i>(Note 2)</i>	Interest in controlled corporation	80,000,000 (L)	10.00%
Mr. Ng Fuk Wah <i>(Note 3)</i>	Interest of spouse	80,000,000 (L)	10.00%

Notes:

1. The letter "L" denotes the individual's long position in the Shares.
2. R5A Group Limited is the registered owner of 80,000,000 Shares, representing 10.00% of the Company's issued share capital. It is ultimately owned as to 55.34% by Ms. Tam Mo Kit, 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho, 12.91% by Mr. Tang and 1.28% by Mr. Ho Tik Wai. Therefore, Ms. Tam Mo Kit is deemed to be interested in all the shares held by R5A Group Limited for the purposes of the SFO.
3. Mr. Ng Fuk Wah is the spouse of Ms. Tam Mo Kit. Under the SFO, Mr. Ng Fuk Wah is deemed to be interested in the same number of shares in which Ms. Tam Mo Kit is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or the associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities other than a Director or the chief executive of the Company who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows were recorded in the were as follows:

Name of substantial shareholder	Capacity and nature	Number of Shares/ underlying Shares held (Note 1)	Approximate percentage of issued share capital
Chun Wo Overseas Holdings Limited (i.e. the Offeror) (Note 2)	Beneficial Owner	473,870,000 (L)	59.23%
AAI (Note 2)	Interest in controlled corporation	473,870,000 (L)	59.23%
GT Winners Limited (“GT Winners”) (Note 2)	Interest in controlled corporation	473,870,000 (L)	59.23%
Mr. Pang Yat Ting, Dominic (Note 2)	Interest in controlled corporation	473,870,000 (L)	59.23%
Madam Li Wai Hang, Christina (Note 2)	Interest in controlled corporation	473,870,000 (L)	59.23%
R5A Group Limited (Note 3)	Beneficial Owner	80,000,000 (L)	10.00%

Notes:

1. The letter “L” denotes the individual’s or corporation’s long position in the Shares.
2. The Offeror is a direct wholly-owned subsidiary of AAI, which is owned as at approximately 53.44% by GT Winners, which is owned as to 45% by Mr. Pang Yat Ting, Dominic and 45% by Madam Li Wai Hang, Christina. By virtue of the SFO, each of AAI, GT Winners, Mr. Pang Yat Ting, Dominic and Madam Li Wai Hang, Christina was deemed to be interested in the 473,870,000 Shares held by the Offeror.
3. R5A Group Limited is the registered owner of 80,000,000 Shares, representing 10.00% of the Company’s issued share capital. It is ultimately owned as to 55.34% by Ms. Tam Mo Kit, 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho, 12.91% by Mr. Tang and 1.28% by Mr. Ho Tik Wai.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(c) Interest in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares of the Offeror or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangement in connection with the Share Offer

During the Reference Period and up to and including the Latest Practicable Date,

- (i) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between (a) any Shareholder on the one hand; and (b) the Company, its subsidiaries or associated companies on the other hand;
- (ii) Save for the disclosure in the paragraphs headed “Disclosure of Interests — Directors’ and the chief executives’ interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations” above and “Dealings in Shares” below and the Sale Shares, none of the Directors had any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares; and
- (iii) none of the Company nor any Director had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

As disclosed in paragraph 4(a) above, Mr. Ng and Ms. Tam Mo Kit, who are interested in 80,000,000 Shares through R5A as their controlled corporation, as at the Latest Practicable Date, will, through R5A giving an undertaking to the Offeror, reject the Share Offer. Save as disclosed above, none of the Directors beneficially owned any Shares and accordingly none of them is entitled to the Share Offer.

5. DEALINGS IN SHARES

During the Reference Period and up to and including the Latest Practicable Date,

- (a) save for the Sale Shares and as disclosed below, none of the Directors had dealt for value in, any Shares or securities, convertible securities, warrants, options, or derivatives in respect of any Shares or securities of the Company;

Name	Date of transaction	Nature of dealing	No. of Shares involved	Average transaction price per Share	Highest transaction price per Share
Mr. Ng	29 August 2023	Purchase of Shares	700,000	HK\$0.1595	HK\$0.1610

- (b) none of the subsidiaries of the Company, pension funds of the Company or of any of its subsidiaries, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers had owned, controlled or dealt for value in the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (c) no person had any 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 or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate, and hence no such person had owned, controlled or dealt for value in the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (d) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had owned, controlled or dealt for value in the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

6. DEALINGS IN SHARES OF THE OFFEROR

During the Reference Period, none the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

- (a) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Share Offer;
- (b) there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of the Share Offer or is otherwise connected with the Share Offer; and
- (c) there was no material contract entered into by the Offeror in which any Director had a material personal interest.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which: (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, (1) neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance (other than those arising from the ordinary course of business of the Company and any of its subsidiaries) and (2) no litigation or claims of material importance (other than those arising from the ordinary course of business of the Company and any of its subsidiaries) was known to the Directors to be pending or threatened against the Company and any of its subsidiaries, both of which would have a material adverse effect on the results of operations or financial conditions of the Company and any of its subsidiaries.

10. MATERIAL CONTRACTS

There were no contracts (not being the 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) entered into by the Company or any of its subsidiaries within two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which are or may be material.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

In addition to those listed under the paragraph headed “Expert and Consent” in Appendix IV to this Composite Document, the followings are the name and qualifications of the experts who have given their opinion, letters, reports or advice which are contained or referred to in this Composite Document:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants and Registered Public Interest Entity Auditor
Red Solar	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Share Offer

Each of PricewaterhouseCoopers and Red Solar has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinion, letters, reports or advice and references to its name included herein in the form and context in which they respectively appear.

12. DOCUMENTS ON DISPLAY

A copy of the following documents will be available for inspection (i) on the website of the SFC (www.sfc.hk); and (ii) on the website of the Company (www.modernliving.com.hk) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2020, 2021 and 2022, respectively, the interim report of the Company for the six months ended 30 June 2023 and the third quarterly report of the Company for the nine months ended 30 September 2023;
- (c) the “Letter from the Board”, the text of which is set out on pages 23 to 37 of this Composite Document;
- (d) the “Letter from the Independent Board Committee”, the text of which is set out on pages 38 to 39 of this Composite Document;
- (e) the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 40 to 68 of this Composite Document;

- (f) each of the letters issued by the Auditor and Red Solar on the Profit Forecast set out in Appendix V to this Composite Document;
- (g) the written consents referred to in the paragraph headed “11. Qualifications and Consents of Experts” in this appendix;
- (h) this Composite Document and the accompanying Form of Acceptance.

13. MISCELLANEOUS

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is situated at Units 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, Sha Tin, New Territories, Hong Kong.
- (c) The company secretary of the Company is Mr. Ng Fuk Wah, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company’s principal share registrar and transfer office is Ocorian Trust (Cayman) Limited, situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) The registered office of Red Solar Capital Limited is situated at 402B, 4/F China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong.
- (g) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those related to AAI Group) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors and the directors of AAI (in their capacity as such)) by the directors of the Offeror have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of AAI jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those related to the Offeror and the Group) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors and the directors of the Offeror (in their capacity as such)) by the directors of AAI have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

DISCLOSURE OF INTERESTS AND DEALINGS OF SECURITIES IN THE COMPANY

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save as disclosed below, none of the Offeror, its directors or parties acting in concert with any of them owned, controlled or was interested in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares:

Shareholder	Number of Shares	Approximate percentage of the total issued Shares
Chun Wo Overseas Holdings Limited (i.e. the Offeror) <i>(Note 1)</i>	473,870,000	59.23%
R5A Group Limited <i>(Note 2)</i>	80,000,000	10.00%

Notes:

- The Offeror is a direct wholly-owned subsidiary of AAI, which is owned as at approximately 53.44% by GT Winners, which is owned as to 45% by Mr. Pang Yat Ting, Dominic and 45% by Madam Li Wai Hang, Christina.
- R5A Group Limited is the registered owner of 80,000,000 Shares, representing 10.00% of the Company's issued share capital. It is ultimately owned as to 55.34% by Ms. Tam Mo Kit, 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho, 12.91% by Mr. Tang and 1.28% by Mr. Ho Tik Wai.

- (ii) save for the Sale Shares acquired under the Sale and Purchase Agreement and the Remaining Shares held by R5A, none of the Offeror and parties acting in concert with it owns or has control or direction over any voting rights or rights over the Shares, options, warrants or other securities convertible into the Shares;
- (iii) there was no agreement, arrangement or understanding that the Sale Shares acquired pursuant to the Sale and Purchase Agreement would be transferred, charged or pledged to any other persons;
- (iv) save for the undertaking given by the Vendors as details in section headed “Vendors’ undertakings” in the “Letter from Somerley”, none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept or not to accept the Share Offer;
- (v) save for the Sale Shares and as disclosed below, none of the Offeror and parties acting in concert with it had dealt for value in any Shares, any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company during the Reference Period;

Name	Date of transaction	Nature of dealing	No. of Shares involved	Average transaction price per Share	Highest transaction price per Share
Mr. Ng	29 August 2023	Purchase of Shares	700,000	HK\$0.1595	HK\$0.1610

- (vi) there is no agreement or arrangement in relation to outstanding derivative in respect of securities in the Company which has been entered into by the Offeror or any person acting in concert with it;
- (vii) save for the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Share Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (viii) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer;
- (ix) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities of the Company;

- (x) apart from the Consideration, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or parties acting in concert with it to the Vendors, their ultimate beneficial owners (if applicable), or parties acting in concert with them in connection with the Acquisition;
- (xi) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Vendors, their ultimate beneficial owners (if applicable), and any parties acting in concert with them on the other hand;
- (xii) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b)(i) the Offeror and any party acting in concert with it, or (b)(ii) the Company, its subsidiaries or associated companies; and
- (xiii) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer.

EXPERT AND CONSENT

The following is the name and qualifications of the expert which has given advice which is contained in this Composite Document:

Name	Qualifications
Somerley	a licensed corporation under the SFO to carry on Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its letter and the references to its name and letter in the form and context in which they appear.

MISCELLANEOUS

- (a) The Offeror is a company incorporated in the Cayman Islands with limited liability which is beneficially owned by AAI.
- (b) The registered office of the Offeror is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The correspondence address of the Offeror is situated at C2, 5/F, Hong Kong Spinners Industrial Building Phase 1, 601-603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (d) As at the Latest Practicable Date, the directors of the Offeror are Mr. Pang Yat Ting, Dominic, Ir Dr. Pang Yat Bond, Derrick *JP* and Mr. Shea Chun Lok, Quadrant.

- (e) AAI is a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711).
- (f) The registered office of AAI is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (g) The correspondence address of AAI is situated at C1, 5/F, Hong Kong Spinners Industrial Building Phase 1, 601–603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (h) As at the Latest Practicable Date, the board of directors of AAI comprised of Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick *JP* and Mr. Shea Chun Lok, Quadrant as executive directors; Ms. Wong Wendy Dick Yee and Dr. Yim Yuk Lun, Stanley *BBS JP* as non-executive directors and Mr. Wu William Wai Leung, Mr. Lam Yau Fung, Curt, Mr. Ho Gilbert Chi Hang and Dr. Yen Gordon as independent non-executive directors.
- (i) As at the Latest Practicable Date, the ultimate controlling shareholders of AAI are Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic as each of them holds 45% shares in GT Winners Limited which in turn holds 954,604,705 shares of AAI, representing approximately 53.44% of AAI's issued share capital. Madam Li Wai Hang, Christina personally holds 11,294,875 shares of AAI, representing approximately 0.63% of AAI's issued share capital.
- (j) R5A is a company incorporated in the British Virgin Islands. The registered office of R5A is situated at Jayla Place, Wickhams Cay I, Road Town, Tortola, the British Virgin Islands.
- (k) As at the Latest Practicable Date, the directors of R5A are Mr. Sung Alfred Lee Ming, Mr. Ho Chu Ming, Mr. Ng Fuk Wah, Mr. Tang Kong Fuk and Ms. Tam Mo Kit.
- (l) The correspondence address of Mr. Ng, Mr. Ho and Mr. Tang is situated at Unit 1102–1103, 11th Floor, Delta House, No. 3 On Yiu Street, New Territories, Hong Kong.
- (m) The registered office of Somerley is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (n) In the event of inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (i) on the website of the Company at www.modernliving.com.hk and (ii) on the website of the SFC at www.sfc.hk from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the Sale and Purchase Agreement;
- (c) the letter from Somerley, the text of which is set out on pages 11 to 22 of this Composite Document; and
- (d) the written consent as referred to in the section headed “Expert and Consent” in this Appendix IV.

1. LETTER FROM THE AUDITOR

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this composite document.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE FORECAST OF THE CONSOLIDATED PROFIT ATTRIBUTABLE TO OWNERS OF MODERN LIVING INVESTMENTS HOLDINGS LIMITED FOR EACH OF THE YEARS ENDING 31 DECEMBER 2024, 2025 AND 2026

TO THE BOARD OF DIRECTORS OF MODERN LIVING INVESTMENTS HOLDINGS LIMITED

We have completed our assurance engagement to report on the forecast of the consolidated profit attributable to owners of the Modern Living Investments Holdings Limited (the “**Company**”) for each of the years ending 31 December 2024, 2025 and 2026 (the “**Profit Forecast**”). The Profit Forecast is set out in the composite document of the Company dated 5 March 2024 (the “**Composite Document**”) in connection with the possible mandatory unconditional cash offer by Somerley Capital Limited on behalf of Chun Wo Overseas Holdings Limited for all the issued shares in the Company (other than those already owned or agreed to be acquired by Chun Wo Overseas Holdings Limited and parties acting in concert with it).

Directors' Responsibility for the Profit Forecast

The directors of the Company are responsible for the preparation of the Profit Forecast, including the bases and assumptions set on pages 28 to 29 of the Composite Document on which the Profit Forecast is based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Profit Forecast and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 (HKSQM), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers, to express an opinion on the accounting policies and calculations of the Profit Forecast, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the Profit Forecast, so far as the accounting policies and calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages 28 to 29 of the Composite Document. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the accounting policies and the arithmetical calculations in the compilation of the Profit Forecast in accordance with the bases and assumptions.

The Profit Forecast has been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit Forecast since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the Profit Forecast are based.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 28 to 29 of the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 5 March 2024

2. LETTER FROM RED SOLAR

5 March 2024

The Board of directors
Modern Living Investments Holdings Ltd
Units 1102–1103, 11th Floor
Delta House
No. 3 On Yiu Street, Sha Tin
New Territories, Hong Kong

Dear Sir/Madam,

We refer to the composite document dated 5 March 2024 (the “**Composite Document**”) jointly issued by Chun Wo Overseas Holdings Limited (i.e. the Offeror) and Modern Living Investments Holdings Ltd (i.e. the Company). Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless otherwise specified.

Pursuant to the Sale and Purchase Agreement, the remaining part of the Consideration other than the Initial Consideration shall become payable to R5A if certain Profit Targets are satisfied. Pursuant to Rule 10 of the Takeovers Code, each of the Profit Targets for the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit constitutes a profit forecast (the “**Profit Forecast**”). The Profit Forecast has been prepared by the Directors based on the unaudited consolidated financial information of the Group for the year ended 31 December 2023 and a forecast of the consolidated results of the Group for the three years ending 31 December 2026.

We have reviewed the Profit Forecast and discussed with the Directors on the bases and assumptions, which have been set out in the section headed “Profit Forecast” of the Composite Document, upon which the Profit Forecast has been made. We have also considered the letter from PricewaterhouseCoopers dated 5 March 2024 issued to the Board, the text of which is set out in the section headed “Letter from the Auditor on the Profit Forecast” in the Composite Document, which states that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the Directors as set out on pages 28 to 29 of the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

On the basis of foregoing, we are satisfied that the Profit Forecast including the bases and assumptions, for which the Directors are solely responsible for, have been made after due care and consideration, and on a reasonable basis.

The work undertaken by us is for the sole purpose of reporting to the Directors under Rule 10 of the Takeovers Code and for no other purposes. We accept no responsibility to any other person in connection with such work.

Yours faithfully,
For and on behalf of
Red Solar Capital Limited

Leo Chan
Managing Director

Ernest Lam
Managing Director