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If you have sold or transferred all your shares in Winson Holdings Hong Kong Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the 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 the transferee(s).



WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

**DISCLOSEABLE AND CONNECTED TRANSACTION
THE ACQUISITION OF 37.5% OF THE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



红日资本有限公司

RED SUN CAPITAL LIMITED

A notice convening the EGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 August 2024 at 10:30 a.m. (or immediately after the AGM, whichever is later) is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event by 10:30 a.m. on Sunday, 18 August 2024 or not later than 48 hours before the time specified for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless otherwise defined, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company to be held at 10:00 a.m. on Tuesday, 20 August 2024 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a Sunday or public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Winson Holdings Hong Kong Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6812)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Conditions Precedent”	the conditions precedent to the Completion, as more particularly set out under the paragraph headed “The Sale and Purchase Agreement – Conditions Precedent” in the “Letter From the Board”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB18,375,000 for the Acquisition
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held on Tuesday, 20 August 2024 at 10:30 a.m. (or immediately after the AGM, whichever is later) at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong to approve, among other things, the Sale and Purchase Agreement and the transaction contemplated thereunder.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan and Mr. Chan Chun Sing, being all independent non-executive Directors
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation 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 for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Valuer”	Valtech Valuation Advisory Limited, an independent property valuer
“Independent Shareholders”	Shareholders who have no material interest in, and are not required to abstain from voting at the EGM to approve, the Sale and Purchase Agreement and the transaction contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Listing Rules

DEFINITIONS

“Lask SZ”	Shenzhen Lask JV Property Management Ltd.* (深圳歷思聯行物業管理有限公司), a company established in the PRC
“Lask SZ Group”	Lask SZ and its subsidiaries
“Latest Practicable Date”	24 July 2024, being the latest practicable date for the purpose of ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	31 December 2024, or such other date(s) as may be agreed in writing by the Vendor and the Purchaser, being the latest date on which the Conditions Precedent must be satisfied or waived (as the case may be)
“Madam Ng”	Madam Ng Sing Mui, the spouse of Mr. Johnny Sze and the mother of Ms. Sze Tan Nei and Mr. Sze Wai Lun, an executive Director and the chairperson of the Company, one of the controlling shareholders of the Company
“Mr. Johnny Sze”	Mr. Sze Wai Chun Johnny, the spouse of Madam Ng
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee provided by the Vendor and Mr. Johnny Sze to the Purchaser in relation to the actual net profit of the Target Company for the year ending 31 December 2024, 2025 and 2026, respectively
“Purchaser”	Perma Growth Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 June 2024 entered into among the Purchaser, the Vendor and the Target Company in relation to the Acquisition

DEFINITIONS

“Sale Shares”	3,750 shares in share capital of the Target Company, representing 37.5% of the issued share capital in the Target Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Sze Family Trust”	a discretionary trust set up by Madam Ng as settlor and Rich Cheer Development Limited as trustee on 8 January 2015. The trustee, Rich Cheer Development, through Sze’s Holdings Limited, indirectly holds 432,000,000 Shares on trust for the beneficiaries of the Sze Family Trust including, <i>inter alia</i> , Mr. Sze Wai Lun and Ms. Sze Tan Nei
“Target Company”	Lask JV Facility Management Services Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Lask JV Holding Co. Ltd., a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Johnny Sze
“%”	per cent

* *For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

For the purpose of this circular, save for the content requires otherwise, the exchange rate of approximately RMB1.00 to HK\$1.078 has been used for illustration purpose only. Such exchange rate does not constitute a representation that any amount in RMB and HK\$ has been or could have been or may be converted at such rate.

LETTER FROM THE BOARD



WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

Executive Directors:

Madam Ng Sing Mui (吳醒梅) (Chairperson)

Ms. Sze Tan Nei (施丹妮)

Mr. Ang Ming Wah (洪明華)

Mr. Sze Wai Lun (施偉倫)

Independent non-executive Directors:

Mr. Yuen Ching Bor Stephen (袁靖波)

Mr. Chung Koon Yan (鍾琯因)

Mr. Chan Chun Sing (陳振聲)

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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

Unit 1926, 19/F

Global Plaza

1 Sha Tsui Road

Tsuen Wan

New Territories

Hong Kong

31 July 2024

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
THE ACQUISITION OF 37.5% OF THE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the announcement of the Company dated 7 June 2024 regarding the discloseable and connected transaction for the acquisition of 37.5% of the issued share capital of the Target Company. The purpose of this circular is (i) to provide the Shareholders with further information on the Sales and Purchase Agreement and the transaction thereunder; (ii) to set out the recommendations from the Independent Board Committee in relation to the Sales and Purchase Agreement and the transaction contemplated thereunder; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

7 June 2024 (after trading hours)

Parties

- (i) the Vendor;
- (ii) the Purchaser; and
- (iii) the Target Company.

Subject matter

Pursuant to the Sale and Purchase Agreement and subject to the fulfillment (or wavier where applicable) of the Conditions Precedent, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the 37.5% equity interests in the Target Company as at the Latest Practicable Date.

Upon Completion, the Group will be interested in 37.5% of the equity interests of the Target Company. As such, the Target Company will become an associated company of the Group and the financial results of the Target Group will not be consolidated into the accounts of the Group.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration is RMB18,375,000 (equivalent to approximately HK\$19,809,185), which shall be payable by the Purchaser to the Vendor in the following manner:

- (i) an instalment in the amount of RMB11,025,000 (equivalent to approximately HK\$11,885,511), representing 60% of the Consideration, within fourteen (14) Business Days from the Completion;
- (ii) an instalment in the amount of RMB3,675,000 (equivalent to approximately HK\$3,961,837), representing 20% of the Consideration, on or before 31 December 2024; and;
- (iii) an instalment in the amount of RMB3,675,000 (equivalent to approximately HK\$3,961,837), representing 20% of the Consideration, on or before 31 December 2025.

LETTER FROM THE BOARD

The implied consideration for 100% of the issued share capital in the Target Company is RMB49,000,000 (equivalent to approximately HK\$52,824,493). The Consideration will be financed by the internal resources of the Group.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and was determined with reference to the (i) the valuation report ("**Valuation Report**") prepared by the Independent Valuer which, according to the Valuation Report, as at 31 December 2023 (the "**Valuation Benchmark Date**"), the appraised value of 100% of the issued share capital in the Target Company was approximately RMB49,957,000 (equivalent to approximately HK\$53,856,188); (ii) Profit Guarantee; and (iii) unaudited consolidated financial information of the Target Group for the year ended 31 December 2023.

The payment terms of the Consideration was agreed by the Vendor upon the Company's request given the Company would like to reserve as more cash and cash equivalents as possible for ordinary business operation or cash reserves purpose.

Summary of the Valuation Report

Valuation methodology

The Independent Valuer adopted the Guideline Publicly-traded Comparable method under the market approach after considering the common valuation methods including cost approach, income approach and market approach,

Valuation Multiple

The Independent Valuer selected a price-to-sales ("**P/S**") multiple of 0.23 times, being the lower quartile P/S multiple of the 34 comparable companies ("**Comparables**") principally engaged in the provision of property management services in the PRC, the shares of which were listed on the Stock Exchange.

The Independent Valuer are of the view that the Comparables according to the selection criteria under the Valuation Report represented an exhaustive list.

Discount for Lack of Marketability

The Independent Valuer imposed a 22.0% discount for lack of marketability to reflect the private nature of the Target Company.

Having considered the aforesaid factors, the Board consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Acquisition shall be conditional upon fulfilment (or where applicable, waiver thereof by the Purchaser) of the following conditions:

- (a) the Vendor being the legal and beneficial owner of the Sale Shares free from all encumbrances and having the capacity and power to sell and assign the Sale Shares to the Purchaser free from all encumbrances at Completion;
- (b) the Purchaser is satisfied with the process and results of the due diligence of the Target Company;
- (c) all other applicable laws, rules and regulations including but not limiting to the Listing Rules for the transaction contemplated under the Sale and Purchase Agreement shall have been complied with by the Purchaser;
- (d) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Sale and Purchase Agreement and the transaction contemplated thereunder in accordance with the requirements under the Listing Rules;
- (e) the clearance of all announcement(s) and circular(s) (if required) to be issued to the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange or by Shareholders in respect of the Sales and Purchase Agreement and the transaction contemplated thereunder;
- (f) all outstanding loans and balances of the Target Company from third party banks or financial institutions having been repaid and settled in full;
- (g) all outstanding amounts due by the Vendor or its associates having been repaid and settled in full;
- (h) the Vendor shall have provided the Purchaser the management accounts of the Target Company in accordance with the clauses under the Sales and Purchase Agreement;
- (i) all necessary consents, licences and approvals and/or waiver required to be obtained and all matters required to be fulfilled in respect of the Sale and Purchase Agreement and the transaction contemplated thereby having been obtained and remain in full force and effect;
- (j) all necessary governmental, regulatory and other third parties' consents, authorisations and approvals required to be obtained in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder having been obtained;

LETTER FROM THE BOARD

- (k) the Purchaser being satisfied with the legal, financial and business position and prospects of the Target Company, from the date of the Sale and Purchase Agreement and up to the date of Completion;
- (l) the Purchaser being satisfied with all the warranties, representations and undertakings given by the Vendors under the Sale and Purchase Agreement being true, accurate, correct and not misleading in all material respects and no relevant information being withheld, from the date of the Sale and Purchase Agreement until and up to Completion;
- (m) the Purchaser being satisfied with the compliance with and performance of all undertakings and obligations of the undertakings by the Vendor, from the date of the Sale and Purchase Agreement until and up to Completion; and
- (n) upon request(s), the Purchaser being provided with any proofs or documentations in respect of the fulfilment of any/all of the conditions precedent above.

The Vendor and the Purchaser may by agreement waive in whole or in part any of the Conditions Precedent. In the event that any of the Conditions Precedents are deemed not to have been fulfilled or are not fulfilled or waived (if applicable), in each case, at or before 1:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save in respect of any prior breaches of the Sale and Purchase Agreement.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor and Mr. Johnny Sze jointly and severally warrant and undertake to the Purchaser that the audited consolidated net profit after tax excluding all extraordinary items of the Target Company (the “**Actual Net Profit**”) for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026, as derived in its audited financial statements as prepared in accordance with the terms of the Sale and Purchase Agreement for the corresponding year, shall not be less than RMB3,000,000, RMB4,500,000 and RMB6,000,000, respectively (equivalent to approximately HK\$3,234,153, approximately HK\$4,851,229 and approximately HK\$6,468,305, respectively) (the “**Guaranteed Profit**”).

LETTER FROM THE BOARD

If the Actual Net Profit in aggregate for the three years ending 31 December 2026 is less than the Guaranteed Profit in aggregate for the three years ending 31 December 2026, the Vendor and Mr. Johnny Sze shall be jointly and severally obliged to pay to the Purchaser in cash an amount equivalent to 11 times the average shortfall between the Actual Net Profit and the Guaranteed Profit, multiplied by 37.5% (“**Compensation**”) for the three years ending 31 December 2026, within 14 days after the issuance of the Target Company’s audited financial statements for the three years ending 31 December 2026 which are expected to be issued on or before 30 June 2027. In the event that the Target Company recorded a loss in aggregate for the three years ending 31 December 2026, the Compensation will be calculated based on 11 times the Guaranteed Profit in aggregate for the three years ending 31 December 2026 multiplied by 37.5%. The Compensation is capped at the amount of the Consideration, which is RMB18,375,000 (equivalent to approximately HK\$19,809,185).

The Company will comply with the disclosure requirements under the Listing Rules (including but not limited to Rule 14A.63 and 14.36B) if the Actual Net Profit fails to meet the Guaranteed Profit.

The Profit Guarantee was determined after arm’s length negotiations between the Vendor and the Company on the basis that (i) the Target Group has generated stable income for the year ended 31 December 2023, in comparison with that of the year ended 31 December 2022; (ii) as of the Latest Practicable Date, the Vendor is not aware of any potential factors which may materially change the revenue generating capacity of the Target Group for the three year ending 31 December 2026; (iii) the Target Group is taking action to occupy more market shares in the property management industry in the PRC market; and (iv) the main reason for the Target Company to turn from a net profit before tax for the year ended 31 December 2022 to a net loss before tax was the increase in finance costs due to the relevant loans, which would be settled as set out under the Conditions Precedent (f) and (g). As such, the Board believes that the Guaranteed Profit is achievable, and fair and reasonable.

To protect the Company and its Shareholders as a whole, an undertaking was duly signed by Vendor and Mr. Johnny Sze, pursuant which the Vendor and Mr. Johnny Sze have undertaken for the mechanism to settle the Compensation (if any). The Company is of the view that such undertaking is valid and legally binding, and able to protect the Group and the interests of the Shareholders as a whole. In the event of the profit shortfall but the Vendor was not able to settle the Compensation upon the Company served a written notice, the Company will (i) negotiate with the Vendor for the repurchase of the Sale Shares by the Vendor; or (ii) issue a demand letter to the Vendor, and if, the Vendor still fails to comply with requirements as stipulated in the demand letter or does not give any reply within 14 days, the Company will start a lawsuit against the Vendor.

LETTER FROM THE BOARD

The Company has requested to review a list of owned properties which demonstrated the sufficiency of financial resources the Vendor and Mr. Johnny Sze possessed, and the Company is satisfied with the repayment capability of the Vendor and Mr. Johnny Sze.

INFORMATION OF THE PARTIES

The Group and the Purchaser

The Group is principally engaged in provision of environmental hygiene and related services and airline catering support services in Hong Kong.

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Johnny Sze. The Vendor is principally engaged in investment holding. As at the Latest Practicable Date, save as the Lask SZ Group, the Target Company does not have any other subsidiary.

INFORMATION RELATING TO THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong and its principal business activity is investment holding. The Target Company is owned by Mr. Johnny Sze as to 0.01% and the Vendor as to 99.99%, respectively. The Vendor is wholly-owned and controlled by Mr. Johnny Sze, the spouse of Madam Ng, the chairperson, executive Director and controlling Shareholder, and the father of Ms. Sze Tan Nei and Mr. Sze Wai Lun, both being executive Directors and controlling Shareholders. The Target Company holds 90% equity investment in Lask SZ, a company established in the PRC. The Lask SZ Group is principally engaged in provision of (i) property management services for residential, commercial and office premises in the PRC; (ii) cleaning services; (iii) security services; and (iv) horticulture services and are currently providing services to premises with a total contracted gross floor area (GFA) of approximately 60 million sq.m..

LETTER FROM THE BOARD

On the same date of the Sale and Purchase Agreement (after trading hours), the Vendor and/or Mr. Johnny Sze also entered into two other sale and purchase agreements with two separate purchasers which have agreed to purchase 35.55% and 26.95% of the issued share capital of the Target Company, respectively. Upon Completion, and assumed completion of the transactions contemplated under the two other sale and purchase agreements, the Target Company will be held as to 37.5% by the Purchaser, 35.55% by LA JV Real Estate Consulting Co., Limited* (歷聯行房地產顧問有限公司) and 26.95% by Horizon International Corporation Limited, respectively. The Vendor will cease to hold any interest in the Target Company accordingly.

LA JV Real Estate Consulting Co., Limited* (歷聯行房地產顧問有限公司) is a company incorporated in Hong Kong and ultimately owned by Mr. Zhao Yun (趙昀), Mr. Chen Qing (陳慶), Mr. Deng Lixin (鄧立新), Mr. Zhong Liang (鍾亮) as to 30%, 30%, 30%, and 10% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, LA JV Real Estate Consulting Co., Limited* (歷聯行房地產顧問有限公司) and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Horizon International Corporation Limited is wholly owned by Mr. Tse Ho Yue ("Mr. Tse"), who is the spouse of Ms. Sze Tan Nei, who is an executive Director and one of the beneficiaries of the Sze Family Trust. Accordingly, Mr. Tse is a connected person of the Company under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement and the two other sale and purchase agreements for the purchase of 35.55% and 26.95% of the issued share capital of the Target Company respectively are not inter-conditional.

Lask SZ currently possesses the following licenses and permits that are pre-requisites for and/or relevant to its principal operations, including but not limited to: national grade 1 property services qualification; cleaning service provider grade A certificate; security services license; and professional grade A stone material maintenance qualification.

Set out below is the unaudited consolidated financial information of the Target Company for the each of two years ended 31 December 2022 and 2023 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	284,001	278,465
Net profit/(loss) (before taxation and extraordinary items)	4,192	(1,399)
Net profit/(loss) (after taxation and extraordinary items)	3,040	(2,286)

LETTER FROM THE BOARD

The Target Company has taken out and drawn down a bank facility which has not been used for the daily operation of Lask SZ Group, which shall be repaid before Completion as one of the Conditions Precedent to the Sale and Purchase Agreement.

As at 31 December 2023, the bank borrowings of the Target Company was approximately RMB35.0 million, which will be settled by the Vendor before Completion as set out under the Conditions Precedent (f). Such settlement will offset the amount due from the Vendor of approximately RMB17.7 million as at 31 December 2023, and the remaining amount of RMB17.3 million will be waived by the Vendor by entering into a waiver agreement. Thus, the net current assets of the Target Group will remain unchanged.

The Target Group turned from a profit (after taxation and extraordinary items) of approximately RMB3.04 million for the year ended 31 December 2022 to approximately a loss of RMB2.29 million for the year ended 31 December 2023, primarily due to the finance cost increased by approximately 93.7% from RMB1.58 million for the year ended 31 December 2022 to RMB3.06 million for the year ended 31 December 2023 mainly arising from the loans by the Vendor, which would be fully settled by the Vendor before Completion date as set out under the Conditions Precedent (f).

As at 31 December 2023, the unaudited consolidated net asset value of the Target Company was approximately RMB6.2 million.

Set out below is the unaudited financial information of the Lask SZ Group for the each of two years ended 31 December 2022 and 2023 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	284,001	278,465
Net profit (before taxation and extraordinary items)	4,658	1,011
Net profit (after taxation and extraordinary items)	3,507	128

Lask SZ generated a smaller profit from approximately RMB3.5 million for the year ended 31 December 2022 to RMB0.13 million for the year ended 31 December 2023, which was primarily due to the (i) the decrease in gross profit; (ii) the decrease in other income and gains; and (iii) the increase in finance costs from HK\$0.1 million to HK\$0.61 million.

As at 31 December 2023, the unaudited net asset value of the Lask SZ Group was approximately RMB23.7 million.

LETTER FROM THE BOARD

The Board considered it is fair and reasonable to acquire the Target Company on the basis that (i) the revenue of the Target Company remained relatively stable from the year ended 31 December 2022 to the year ended 31 December 2023; (ii) the finance costs will be alleviated given the Conditions Precedent (f) and (g) should be fulfilled before the Completion; and (iii) the potential growth of business of the Group by leveraging on the Target Company as mentioned under the section “Reasons for and benefits of entering into the Sale and Purchase Agreement”.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Group is principally engaged in the provision of environmental hygiene and related services and airline catering support services in Hong Kong.

According to the annual report of the Company for the year ended 31 March 2022, the Group keeps exploring new service offerings, such as pest control, property security and general property management services in Guangdong-Hong Kong-Macau Greater Bay Area (“**Greater Bay Area**”), which enable itself to leverage on its current environmental hygiene and related services business, aiming to create strong synergies to benefit the Group’s business and financial performance for sustainable growth.

The Group is currently taking proactive steps to expand its business operations in order to maximise Shareholders’ returns. Amongst others, geographical expansion is the Group’s priority in order to develop a sustainable and diversified business of the Group in the future. The Acquisition is in line with the overall business development strategy of the Group. The Directors are of the view that the Acquisition will enhance the other income of the Company given the Target Group will generate a stable property management fees from its property management businesses.

Lask SZ was rewarded as one of the (i) “2024 Top 100 Property Management Companies in China”; (ii) “2024 China Outstanding Commercial Property Management Companies”; and (iii) “2024 China Leading Property Management Companies in terms of Characteristic Services” at the “2024 China Top 100 Property Management Companies Research Results Release and the 17th China’s Top 100 Property Management Entrepreneurs Forum” in April 2024. Lask SZ has been providing property management services in China for more than 20 years and have a large property management portfolio covering more than 40 cities across 14 provinces, municipalities and autonomous regions in China, with a total contracted GFA of approximately 60 million sq.m. as at 2 December 2023. Lask SZ was also granted with the Grade I Qualification for Property Management issued by the Ministry of Housing and Urban- Rural Development of the PRC (中華人民共和國物業服務企業資質證書(壹級)) on 3 March 2017. The Acquisition would enable the Group to tap into the property management services market in the PRC in a relatively short period of time by leveraging on the brand name, the client base, the business network and local experience of the Target Group upon the Group to commence the property management business operation in the PRC via other subsidiaries and/or affiliated companies.

LETTER FROM THE BOARD

The Directors regard the Acquisition as an important step of establishing its business presence in the Greater Bay Area, since by combining the environmental hygiene services and the property management services, the Group is capable of providing its customers with a one-stop comprehensive services. Meanwhile, the Group will have access to a broad customer base of the Target Group in the PRC which may bring in more potential customers to the Group. The Directors believe that the Acquisition would enable the Group continue to expand the business scale and market share, and to bring forth stable and sustainable investment returns to the Shareholders.

Having considered that (i) the solid operational track record, experienced management team and various qualifications and licenses of the Target Group could assist the Group in establishing its business presence in the Greater Bay Area in an efficient, cost effective and timely manner to capture the business opportunities as the Group, as one of the substantial shareholders of Lask SZ, is able to leverage the brand name of Lask SZ; (ii) the Company and the Target Group taking advantage of each other's business network and operational expertise could identify potential business opportunities in the Greater Bay Area by introducing each other's services provision scope and industry experience to their existing customers and potential customers respectively; and (iii) the Acquisition will provide an opportunity to the Group to expand vertically along the industry value chain into the property management sector in the PRC, and if any of the Company's other subsidiaries and/or affiliated companies received services subscription including both environmental hygiene and related services and the property management services from customers, it will consider to subcontract the relevant property management services to the Target Group or set up strategic cooperation in property management services when needed, the Directors are of the view that the Acquisition is in line with the Group's strategy to further broaden its income base and is a good opportunity to expand the Group's existing environmental hygiene and related services business in the PRC.

Based on the above, the Directors (including the independent non-executive Directors) consider that although the Acquisition is not in the ordinary course of business of the Group, given the nature of the transaction, the terms and conditions of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable after arm's length negotiations and are entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The Target Company is owned by Mr. Johnny Sze as to 0.01% and the Vendor as to 99.99%, respectively. The Vendor is wholly-owned and controlled by Mr. Johnny Sze, the spouse of Madam Ng, the chairperson, executive Director and controlling Shareholder, and the father of Ms. Sze Tan Nei and Mr. Sze Wai Lun, both being executive Directors and controlling Shareholders. Accordingly, each of Mr. Johnny Sze, the Vendor and the Target Company is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction contemplated under the Sale and Purchase Agreement exceed 5% and the Consideration is over HK\$10,000,000, the Sale and Purchase Agreement is subject to the reporting, announcement circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Madam Ng (being spouse of Mr. Johnny Sze), Ms. Sze Tan Nei (being daughter of Mr. Johnny Sze) and Mr. Sze Wai Lun (being son of Mr. Johnny Sze), who are the Directors and are considered to have a material interest in the Acquisition by virtue of their relationship with the Vendor as disclosed above, have abstained from voting on the relevant resolutions of the Board approving the Sale and Purchase Agreement and the transaction contemplated thereunder. Save as disclosed, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Director has material interest in the Sale and Purchase Agreement and is required to abstain from voting on the relevant resolutions of the Board approving the Sale and Purchase and the transaction contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

The EGM will be convened and held by the Company at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 August 2024 at 10:30 a.m. (or immediately after the AGM, whichever is later) to consider and if thought fit, to approve, among other things, entering into of the Sale and Purchase Agreement, and transaction contemplated thereunder. A form of proxy for use at the EGM is enclosed with this circular.

Madam Ng (being spouse of Mr. Johnny Sze), Ms. Sze Tan Nei (being daughter of Mr. Johnny Sze) and Mr. Sze Wai Lun (being son of Mr. Johnny Sze), together holding 432,000,000 Shares which represent 72% of the issued share capital of the Company as at the Latest Practicable Date, who are the Directors and are considered to have a material interest in the Acquisition by virtue of their relationship with the Vendor as disclosed above, together with their associates, shall abstain from voting on the relevant resolution(s) at the EGM approving the Sale and Purchase Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun had abstained from voting at the relevant Board meeting for considering the Sale and Purchase Agreement and the transaction contemplated thereunder. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on the relevant resolution(s) to be considered at the EGM as at the Latest Practicable Date.

To the extent the Directors were aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (a) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of Madam Ng, Ms. Sze Tan Nei, and Mr. Sze Wai Lun, or obligation or entitlement of any of Madam Ng, Ms. Sze Tan Nei, and Mr. Sze Wai Lun, whereby she/he had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his/its Shares to a third party, either generally or on a case-by-case basis; and
- (b) it was not expected that there would be any discrepancy between the beneficial shareholding interest in the Company of any of Madam Ng, Ms. Sze Tan Nei, and Mr. Sze Wai Lun, as disclosed in this circular and the number of Shares in respect of which she/he would control or would be entitled to exercise control over the voting right at the EGM.

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 10:30 a.m. on Sunday, 18 August 2024 or not less than 48 hours before the time appointed for the EGM or any adjournment thereof. The register of members of the Company will be closed from Thursday, 15 August 2024 to Tuesday, 20 August 2024 (both days inclusive), during which time no share transfers will be effected. In order to qualify for attending the EGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong at the above address by no later than 4:30 p.m. on Wednesday, 14 August 2024.

You are urged to complete and return the form of proxy whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any adjournments thereof) should you wish to do so.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the transaction contemplated under the Sale and Purchase Agreement. Red Sun Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages IFA-1 to IFA-31 of this circular.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that although the transaction contemplated under the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and its Shareholders as a whole. As such, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

VOTE BY POLL

In accordance with the articles of association of the Company, all the votes at the EGM must be taken by poll.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Winson Holdings Hong Kong Limited
Ng Sing Mui
Chairperson and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with entering into of the Sale and Purchase Agreement and the transaction contemplated thereunder for inclusion in this circular.



WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

31 July 2024

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
THE ACQUISITION OF 37.5% OF THE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on entering into of the Sale and Purchase Agreement, the details of which are set out in the circular issued by the Company to the Shareholders dated 31 July 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages IFA-1 to IFA-31 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and benefits of entering into the Sale and Purchase Agreement” in the letter from the Board in the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Adviser, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Adviser that although the transaction contemplated under the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully

For and on behalf of the
Independent Board Committee

Mr. Yuen Ching Bor Stephen

Mr. Chung Koon Yan

Mr. Chan Chun Sing

(Independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Red Sun Capital Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F., China Insurance Group Building,
141 Des Voeux Road Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

31 July 2024

*To: The Independent Board Committee and the Independent Shareholders of
Winson Holdings Hong Kong Limited*

DISCLOSEABLE AND CONNECTED TRANSACTION THE ACQUISITION OF 37.5% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 31 July 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, terms defined in the Circular have the same meanings in this letter.

Reference is made to the announcement of the Company dated 7 June 2024 regarding the discloseable and connected transaction for the acquisition of 37.5% of the issued share capital of the Target Company. On 7 June 2024, the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 37.5% of the issued share capital in the Target Company for a cash Consideration of RMB18,375,000 (equivalent to approximately HK\$19,809,185).

LISTING RULES IMPLICATIONS

As set out in the Letter from the Board, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Company is owned by Mr. Johnny Sze as to 0.01% and the Vendor as to 99.99%, respectively. The Vendor is wholly-owned and controlled by Mr. Johnny Sze, the spouse of Madam Ng, the chairperson, executive Director and controlling Shareholder, and the father of Ms. Sze Tan Nei and Mr. Sze Wai Lun, both being executive Directors and controlling Shareholders. Accordingly, each of Mr. Johnny Sze, the Vendor and the Target Company is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction contemplated under the Sale and Purchase Agreement exceed 5% and the Consideration is over HK\$10,000,000, the Sale and Purchase Agreement is subject to the reporting, announcement circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Madam Ng (being spouse of Mr. Johnny Sze), Ms. Sze Tan Nei (being daughter of Mr. Johnny Sze) and Mr. Sze Wai Lun (being son of Mr. Johnny Sze), together holding 432,000,000 Shares which represent 72% of the issued share capital of the Company as at the Latest Practicable Date, who are the Directors and are considered to have a material interest in the Acquisition by virtue of their relationship with the Vendor as disclosed above, together with their associates, shall abstain from voting on the relevant resolution at the EGM approving the Sale and Purchase Agreement and the transaction contemplated thereunder.

Madam Ng, Ms. Sze Tan Nei and Mr. Sze Wai Lun had abstained from voting at the relevant Board meeting for considering the Sale and Purchase Agreement and the transaction contemplated thereunder. Save as disclosed, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Director has material interest in the Sale and Purchase Agreement and is required to abstain from voting on the relevant resolutions of the Board approving the Sale and Purchase and the transaction contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan and Mr. Chan Chun Sing, has been formed to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the transactions contemplated thereunder are entered into in the usual and ordinary course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

We have been appointed as the Independent Financial Adviser with the approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with, and did not, in the last two years, serve as financial adviser to, the Company, the Group, Mr. Johnny Sze, the Vendor, the Purchaser, the Target Company or any relevant parties in connection with the Sale and Purchase Agreement and accordingly, we are qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Sale and Purchase Agreement and the transactions contemplated thereunder.

In the last two years, we have not acted as independent financial adviser to the independent board committee and independent shareholders of the Group. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

To formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Directors and the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, the Target Group or their respective prospects. We have also relied on the Valuation Report as set out in the Appendix I to the Circular prepared by the Independent Valuer commissioned by the Company.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. Shareholders should also note the valuation of the Target Company involves various basis and assumptions and the appraised value of the Target Company may change if those basis and assumptions are modified.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Acquisition, we have taken the following principal factors and reasons into consideration.

1. Information of the Group

The Group is principally engaged in provision of environmental hygiene and related services and airline catering support services in Hong Kong.

Set out below is the extraction of the audited consolidated statements of comprehensive income of the Group for the years ended 31 March 2022, 2023 and 2024 and the audited consolidated statements of financial position as at 31 March 2022, 2023 and 2024, as extracted from the annual report of the Group for the year ended 31 March 2023 (the “**2023 Annual Report**”) and the annual report of the Group for the year ended 31 March 2024 (the “**2024 Annual Report**”).

Extracts of consolidated statements of comprehensive income

	For the year ended 31 March		
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	470,707	462,197	473,685
Environmental hygiene and related services	465,440	462,197	473,685
Airline catering support services	5,267	–	–
Cost of services	(404,147)	(384,712)	(397,336)
Gross Profit	66,560	77,485	76,349
General operating expenses	(56,448)	(51,377)	(51,139)
Profit for the year attributable to owners of the Company	10,897	24,745	22,096

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for the years ended 31 March 2024 and 2023

As set out in the 2024 Annual Report, total revenue of the Group increased from approximately HK\$462.2 million for the year ended 31 March 2023 to approximately HK\$470.7 million for the year ended 31 March 2024, representing an increase of approximately 1.8%. The increase in revenue was mainly contributed by the resume of airline catering support services and the Group has successfully bid for three MTR cleaning contracts starting from February 2024.

The gross profit of the Group decreased from approximately HK\$77.5 million for the financial year ended 31 March 2023 to approximately HK\$66.6 million for the financial year ended 31 March 2024, representing a decrease of approximately 14.1%. The gross profit margin of the Group decreased from approximately 16.8% for the financial year ended 31 March 2023 to approximately 14.1% for the financial year ended 31 March 2024. Such decrease was mainly due to the increase in cost of services and overall lower gross profit margin for disinfectant services.

The general operating expenses of the Group increased from approximately HK\$51.4 million for the financial year ended 31 March 2023 to approximately HK\$56.4 million for the financial year ended 31 March 2024, representing an increase of approximately 9.7%. The increase of general operating expenses was mainly due to the increase in provision of long service payments.

The profit for the year attributable to owners of the Company decreased from approximately HK\$24.7 million for the year ended 31 March 2023 to approximately HK\$10.9 million for the financial year ended 31 March 2024, representing a decrease of approximately 55.9%. The net profit margin decreased from approximately 5.4% for the year ended 31 March 2023 to approximately 2.3% for the financial year ended 31 March 2024.

Financial performance for the years ended 31 March 2023 and 2022

As set out in the 2023 Annual Report, total revenue of the Group decreased from approximately HK\$473.7 million for the year ended 31 March 2022 to approximately HK\$462.2 million for the year ended 31 March 2023, representing a decrease of approximately 2.4%. The decrease in revenue was mainly due to drop in demand for ad-hoc disinfection job in respond to the gradual easing of the COVID-19 outbreak during the financial year ended 31 March 2023.

The gross profit of the Group increased from approximately HK\$76.3 million for the financial year ended 31 March 2022 to approximately HK\$77.5 million for the financial year ended 31 March 2023, representing an increase of approximately 1.6%. The gross profit margin of the Group increased from approximately 16.1% for the financial year ended 31 March 2022 to approximately 16.8% for the financial year ended 31 March 2023. Such increase was mainly due to the non-renewal of few major contracts with a relatively lower gross profit margin.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The general operating expenses of the Group increased from approximately HK\$51.1 million for the financial year ended 31 March 2022 to approximately HK\$51.4 million for the financial year ended 31 March 2023, representing an increase of approximately 0.6%. The increase of general operating expenses was mainly due to the increase in provision of long service payments.

The profit for the year attributable to owners of the Company increased from approximately HK\$22.1 million for the financial year ended 31 March 2022 to approximately HK\$24.7 million for the year ended 31 March 2023, representing an increase of approximately of 11.8%. The net profit margin increased from approximately 4.7% for the financial year ended 31 March 2022 to approximately 5.4% for the year ended 31 March 2023.

Extracts of the consolidated statements of financial position

	As at 31 March		
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	59,578	35,575	37,784
Property, plant and equipment	59,053	32,730	37,784
Current assets	222,450	239,438	226,449
Trade receivables	121,016	80,884	104,019
Cash and cash equivalents	93,559	153,957	117,213
Non-current liabilities	15,842	11,940	13,386
Provision for long services payments	13,477	10,008	10,946
Current liabilities	54,886	51,788	55,469
Trade payables	18,680	14,653	16,331
Accruals, deposits and other payables	34,761	32,463	33,036
Total Equity	211,300	211,285	195,378

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position as at 31 March 2024 and 2023

As set out in the 2024 Annual Report, total assets of the Group increased from approximately HK\$275.0 million as at 31 March 2023 to approximately HK\$282.0 million as at 31 March 2024, which primarily comprised of (i) cash and cash equivalents of approximately HK\$93.6 million, representing a decrease of approximately 39.2% as compared to approximately HK\$154.0 million as at 31 March 2023; (ii) trade receivables of approximately HK\$121.0 million, representing an increase of approximately 49.6% as compared to approximately HK\$80.9 million as at 31 March 2023; and (iii) property, plant and equipment of approximately HK\$59.1 million, representing an increase of approximately 80.7% as compared to approximately HK\$32.7 million as at 31 March 2023.

Total liabilities of the Group increased from approximately HK\$63.7 million as at 31 March 2023 to approximately HK\$70.7 million as at 31 March 2024, which primarily comprised of (i) accruals, deposits and other payables of approximately HK\$34.8 million, representing an increase of approximately 7.1% as compared to approximately HK\$32.5 million as at 31 March 2023; (ii) trade payables of approximately HK\$18.7 million, representing an increase of approximately 27.2% as compared to approximately HK\$14.7 million as at 31 March 2023; and (iii) provision for long services payments of approximately HK\$13.5 million, representing an increase of approximately 35.0% as compared to approximately HK\$10.0 million as at 31 March 2023.

Total equity of the Group remained unchanged at approximately HK\$211.3 million as at 31 March 2023 and 31 March 2024.

Financial position as at 31 March 2023 and 2022

As set out in the 2023 Annual Report, total assets of the Group increased from approximately HK\$264.2 million as at 31 March 2022 to approximately HK\$275.0 million as at 31 March 2023, which primarily comprised of (i) cash and cash equivalents of approximately HK\$154.0 million, representing an increase of approximately 31.4% as compared to approximately HK\$117.2 million as at 31 March 2022; (ii) trade receivables of approximately HK\$80.9 million, representing a decrease of approximately 22.2% as compared to approximately HK\$104.0 million as at 31 March 2022; and (iii) property, plant and equipment of approximately HK\$32.7 million, representing a decrease of approximately 13.5% as compared to approximately HK\$37.8 million as at 31 March 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total liabilities of the Group decreased from approximately HK\$68.9 million as at 31 March 2022 to approximately HK\$63.7 million as at 31 March 2023, which primarily comprised of (i) accruals, deposits and other payables of approximately HK\$32.5 million, representing a decrease of approximately 1.5% as compared to approximately HK\$33.0 million as at 31 March 2022; (ii) trade payables of approximately HK\$14.7 million, representing a decrease of approximately 9.8% as compared to approximately HK\$16.3 million as at 31 March 2022; and (iii) provision for long services payments of approximately HK\$10.0 million, representing a decrease of approximately 8.3% as compared to approximately HK\$10.9 million as at 31 March 2022.

Total equity of the Group increased from approximately HK\$195.4 million as at 31 March 2022 to approximately HK\$211.3 million as at 31 March 2023, representing an increase of approximately 8.1%.

2. Information of the Target Company

As set out in the Letter from the Board, the Target Company is a company incorporated in Hong Kong and its principal business activity is investment holding. The Target Company is owned by Mr. Johnny Sze as to 0.01% and the Vendor as to 99.99%, respectively. The Vendor is wholly-owned and controlled by Mr. Johnny Sze, the spouse of Madam Ng, the chairperson, executive Director and controlling Shareholder, and the father of Ms. Sze Tan Nei and Mr. Sze Wai Lun, both being executive Directors and controlling Shareholders. The Target Company holds 90% equity investment in Lask SZ, a company established in the PRC. The Lask SZ Group is principally engaged in provision of (i) property management services for residential, commercial and office premises in the PRC; (ii) cleaning services; (iii) security services; and (iv) horticulture services and are currently providing services to premises with a total contracted gross floor area (GFA) of approximately 60 million square meters.

On the same date of the Sale and Purchase Agreement (after trading hours), the Vendor and/or Mr. Johnny Sze also entered into two other sale and purchase agreements with two separate purchasers which have agreed to purchase 35.55% and 26.95% of the issued share capital of the Target Company, respectively. Upon Completion and assumed completion of the transactions contemplated under the two other sale and purchase agreements, the Target Company will be held as to 37.5% by the Purchaser, 35.55% by LA JV Real Estate Consulting Co., Limited* (歷聯行房地產顧問有限公司) and 26.95% by Horizon International Corporation Limited, respectively. The Vendor will cease to hold any interest in the Target Company accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, LA JV Real Estate Consulting Co., Limited (歷聯行房地產顧問有限公司) is a company incorporated in Hong Kong and ultimately owned by Mr. Zhao Yun (趙昀), Mr. Chen Qing Qing (陳慶), Mr. Deng Lixin (鄧立新), Mr. Zhong Liang (鍾亮) as to 30%, 30%, 30% and 10% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, LA JV Real Estate Consulting Co., Limited* (歷聯行房地產顧問有限公司) and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Horizon International Corporation Limited is wholly owned by Mr. Tse, who is the spouse of Ms. Sze Tan Nei, who is an executive Director and one of the beneficiaries of the Sze Family Trust. Accordingly, Mr. Tse is a connected person of the Company under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement and the two other sale and purchase agreements for the purchase of 35.55% and 26.95% of the issued share capital of the Target Company respectively are not inter-conditional.

Lask SZ currently possesses the following licenses and permits that are pre-requisites for and/or relevant to its principal operations, including but not limited to: (i) national grade 1 property services qualification; (ii) cleaning service provider grade A certificate; (iii) security services license; and (iv) professional grade A stone material maintenance qualification.

Financial information of the Target Company and the Target Group

Set out below is the unaudited consolidated financial information of the Target Company for the each of two years ended 31 December 2022 and 2023 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	284,001	278,465
Net profit/(loss) (before taxation and extraordinary items)	4,192	(1,399)
Net profit/(loss) (after taxation and extraordinary items)	3,040	(2,286)

The Target Company has taken out and drawn down a bank facility which has not been used for the daily operation of Lask SZ Group, which shall be repaid before Completion as one of the conditions precedent to the Sale and Purchase Agreement.

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As at 31 December 2023, the bank borrowings of the Target Company was approximately RMB35.0 million, which will be settled by the Vendor before Completion as set out under condition (f) of the Conditions Precedent. Such settlement will offset the amount due from the Vendor of approximately RMB17.7 million as at 31 December 2023, and the remaining amount of RMB17.3 million will be waived by the Vendor by entering into a waiver agreement. Thus, the net current assets of the Target Group will remain unchanged.

The Target Group turned from a profit (after taxation and extraordinary items) of approximately RMB3.04 million for the year ended 31 December 2022 to approximately a loss of RMB2.29 million for the year ended 31 December 2023, primarily due to the finance cost increased by approximately 93.7% from RMB1.58 million for the year ended 31 December 2022 to RMB3.06 million for the year ended 31 December 2023 mainly arising from the loans by the Vendor, which would be fully settled by the Vendor before Completion date as set out under condition (f) of the Conditions Precedent.

As at 31 December 2023, the unaudited consolidated net asset value of the Target Company was approximately RMB6.2 million.

Set out below is the unaudited financial information of the Lask SZ Group for the each of two years ended 31 December 2022 and 2023 prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	284,001	278,465
Net profit/(loss) (before taxation and extraordinary items)	4,658	1,011
Net profit/(loss) (after taxation and extraordinary items)	3,507	128

Lask SZ generated a smaller profit from approximately RMB3.5 million for the year ended 31 December 2022 to RMB0.13 million for the year ended 31 December 2023, which was primarily due to the (i) decrease in gross profit; (ii) decrease in other income and gains; and (iii) increase in finance costs from approximately HK\$0.1 million to approximately HK\$0.6 million.

As at 31 December 2023, the unaudited net asset value of the Lask SZ Group was approximately RMB23.7 million.

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As set out in the Letter from the Board, the Board considered it is fair and reasonable to acquire the Target Company on the basis that (i) the revenue of the Target Company remained relatively stable from the year ended 31 December 2022 to the year ended 31 December 2023; (ii) the finance costs will be alleviated given conditions (f) and (g) of the Conditions Precedent should be fulfilled before the Completion; and (iii) the potential growth of business of the Group by leveraging on the Target Company as mentioned under the section “Reasons for and benefits of entering into the Sale and Purchase Agreement”. Based on the above, we concur with the view of the Directors that it is fair and reasonable to acquire the Target Company.

3. Information of the Purchaser and the Vendor

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Johnny Sze. The Vendor is principally engaged in investment holding. As at the Latest Practicable Date, save as the Lask SZ Group, the Target Company does not have any other subsidiary.

4. Overview of the PRC industry landscape

Based on the data published by the National Bureau of Statistics of China in February 2024¹, for the year ended 31 December 2023, the gross domestic product of the PRC recorded a growth of approximately 5.2% compared to the corresponding prior year.

Pursuant to the 14th Five Year Plan* (十四五規劃) (the “14th FYP”) announced by the PRC government in March 2021, the target urbanisation rate of the resident population* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. Based on publication by the PRC government in relation to the 14th FYP, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation* (提升產業鏈供應鏈現代化水平); (ii) the development of strategic new industries* (發展戰略性新興產業); (iii) the acceleration of modern service industries development* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation* (加快數位化發展).

¹ Data published by National Bureau of Statistics of the PRC (source: https://www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html)

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We also noted the strict implementation of the three red lines* (三條紅線) from around the second half of 2020 by the PRC government on the PRC real estate development industry², which was one of the core policy directives for the property development industry issued by the PRC government at the relevant time. More recently, the People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) jointly issued the announcement titled "Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market" * (關於做好當前金融支持房地產市場平穩健康發展工作的通知)³ dated 23 November 2022 in relation to (i) ensure stable and orderly real estate financing* (保持房地產融資平穩有序); (ii) proactively carry out "guarantee delivery of vacant possession" related financial services* (積極做好「保交樓」金融服務); (iii) proactively cooperate on risk management of real estate development enterprises in difficulties* (積極配合做好受困房地產企業風險處置); (iv) protect the legal rights and interests of residential property financial consumers* (依法保障住房金融消費者合法權益); (v) adjust part of the financial management policies in stages* (階段性調整部分金融管理政策); and (vi) provide greater financial support on leasing of residential properties* (加大住房租賃金融支持力度).

It is expected that the development of the PRC property market may continue to be influenced by PRC government policies at a national and regional level with the intention to promote sustainable and healthy long-term development of the property development industry, the market environment as well as the overall economic development of the PRC. Based on the above, it is expected that the increase in urbanisation rate in the PRC and the continuous development of the PRC economy shall continue to drive the long-term growth of the PRC property management industry.

5. Reasons for and benefits of entering into the Sale and Purchase Agreement

As set out in the Letter from the Board, according to the annual report of the Company for the year ended 31 March 2022, the Group keeps exploring new service offerings, such as pest control, property security and general property management services in Guangdong-Hong Kong-Macau Greater Bay Area (i.e. Greater Bay Area), which enable itself to leverage on its current environmental hygiene and related services business, aiming to create strong synergies to benefit the Group's business and financial performance for sustainable growth.

² The article relating to finance and land related policies published by the PRC government on 1 March 2021 (source: www.gov.cn/xinwen/2021-03/01/content_5589400.htm)

³ Announcement of Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market* 《關於做好當前金融支持房地產市場平穩健康發展工作的通知》 jointly published by The People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) on 23 November 2022 (source: www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1082913generaltype=0)

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The Group is currently taking proactive steps to expand its business operations in order to maximise Shareholders' returns. Amongst others, geographical expansion is the Group's priority in order to develop a sustainable and diversified business of the Group in the future. The Acquisition is in line with the overall business development strategy of the Group. The Directors are of the view that the Acquisition will enhance the other income of the Company given the Target Group will generate a stable property management fees from its property management businesses.

Lask SZ was rewarded as one of the (i) "2024 Top 100 Property Management Companies in China"; (ii) "2024 China Outstanding Commercial Property Management Companies"; and (iii) "2024 China Leading Property Management Companies in terms of Characteristic Services" at the "2024 China Top 100 Property Management Companies Research Results Release and the 17th China's Top 100 Property Management Entrepreneurs Forum" in April 2024. Lask SZ has been providing property management services in China for more than 20 years and have a large property management portfolio covering more than 40 cities across 14 provinces, municipalities and autonomous regions in China, with a total contracted GFA of approximately 60 million sq.m. as at 2 December 2023. Lask SZ was also granted with the Grade I Qualification for Property Management issued by the Ministry of Housing and Urban- Rural Development of the PRC (中華人民共和國物業服務企業資質證書(壹級)) on 3 March 2017. The Acquisition would enable the Group to tap into the property management services market in the PRC in a relatively short period of time by leveraging on the brand name, the client base, the business network and local experience of the Target Group upon the Group to commence the property management business operation in the PRC via other subsidiary and/or affiliated companies.

As set out in the Letter from the Borad, the Directors regard the Acquisition as an important step of establishing its business presence in the Greater Bay Area, since by combining the environmental hygiene services and the property management services, the Group is capable of providing its customers with a one-stop comprehensive services. Meanwhile, the Group will have access to a broad customer base of the Target Group in the PRC which may bring in more potential customers to the Group. The Directors believe that the Acquisition would enable the Group to continue to expand the business scale and market share, and to bring forth stable and sustainable investment returns to the Shareholders.

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Having considered that (i) the solid operational track record, experienced management team and various qualifications and licenses of the Target Group could assist the Group in establishing its business presence in the Greater Bay Area in an efficient, cost effective and timely manner to capture the business opportunities as the Group, as one of the substantial shareholders of Lask SZ, is able to leverage the brand name of Lask SZ; (ii) the Company and the Target Group taking advantage of each other's business network and operational expertise could identify potential business opportunities in the Greater Bay Area by introducing each other's services provision scope and industry experience to their existing customers and potential customers respectively; and (iii) the Acquisition will provide an opportunity to the Group to expand vertically along the industry value chain into the property management sector in the PRC, and if any of the Company's other subsidiaries and/or affiliated companies received services subscription including both environmental hygiene and related services and the property management services from customers, it will consider to subcontract the relevant property management services to the Target Group or set up strategic cooperation in property management services when needed, the Directors are of the view, and we concur, that the Acquisition is in line with the Group's strategy to further broaden its income base and is a good opportunity to expand the Group's existing environmental hygiene and related services business in the PRC.

Based on the above, although the Acquisition is not in the ordinary course of business of the Group, having considered (i) the synergy between environmental hygiene and related services business of the Group and the property management business of the Target Group; (ii) diversification of the income source of the Group with stable management fees; (iii) the expertise and experience of the Target Group in the property management industry; and (iv) the opportunity of the Group to expand its environmental hygiene and related services business through property management sector in the PRC, we concur with the views of the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

6. The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are summarized as follows:

Date: 7 June 2024 (after trading hours)

Parties: (i) the Vendor
(ii) the Purchaser; and
(iii) the Target Company

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Subject matter

Pursuant to the Sale and Purchase Agreement and subject to the fulfilment (or wavier where applicable) of the Conditions Precedent, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the 37.5% equity interests in the Target Company as at the Latest Practicable Date.

Upon Completion, the Group will be interested in 37.5% of the equity interests of the Target Company. As such, the Target Company will become an associated company of the Group and the financial results of the Target Group will not be consolidated into the accounts of the Group.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration is RMB18,375,000 (equivalent to approximately HK\$19,809,185), which shall be payable by the Purchaser to the Vendor in the following manner:

- (i) an instalment in the amount of RMB11,025,000 (equivalent to approximately HK\$11,885,511), representing 60% of the Consideration, within fourteen (14) Business Days from the Completion;
- (ii) an instalment in the amount of RMB3,675,000 (equivalent to approximately HK\$3,961,837), representing 20% of the Consideration, on or before 31 December 2024; and
- (iii) an instalment in the amount of RMB3,675,000 (equivalent to approximately HK\$3,961,837), representing 20% of the Consideration, on or before 31 December 2025.

The implied consideration for 100% of the issued share capital in the Target Company is RMB49,000,000 (equivalent to approximately HK\$52,824,493). The Consideration will be financed by the internal resources of the Group.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and was determined with reference to (i) the Valuation Report prepared by the Independent Valuer which, according to the Valuation Report, as at 31 December 2023, being the Valuation Benchmark Date, the appraised value of 100% of the issued share capital in the Target Company was approximately RMB49,957,000 (equivalent to approximately HK\$53,856,188); (ii) the Profit Guarantee; and (iii) unaudited consolidated financial information of the Target Group for the year ended 31 December 2023.

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The payment terms of the Consideration were agreed by the Vendor upon the Company's request given the Company would like to reverse as more cash and cash equivalents as possible for ordinary business operation or cash reserves purpose.

Conditions precedent

Completion of the Acquisition shall be conditional upon fulfilment (or where applicable, waiver thereof by the Purchaser) of the following conditions:

- (a) the Vendor being the legal and beneficial owner of the Sale Shares free from all encumbrances and having the capacity and power to sell and assign the Sale Shares to the Purchaser free from all encumbrances at Completion;
- (b) the Purchaser is satisfied with the process and results of the due diligence of the Target Company;
- (c) all other applicable laws, rules and regulations including but not limiting to the Listing Rules for the transaction contemplated under the Sale and Purchase Agreement shall have been complied with by the Purchaser;
- (d) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Sale and Purchase Agreement and the transaction contemplated thereunder in accordance with the requirements under the Listing Rules;
- (e) the clearance of all announcement(s) and circular(s) (if required) to be issued to the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange or by Shareholders in respect of the Sales and Purchase Agreement and the transaction contemplated thereunder;
- (f) all outstanding loans and balances of the Target Company from third party banks or financial institutions having been repaid and settled in full;
- (g) all outstanding amounts due by the Vendor or its associates having been repaid and settled in full;
- (h) the Vendor shall have provided the Purchaser the management accounts of the Target Company in accordance with the clauses under the Sales and Purchase Agreement;
- (i) all necessary consents, licences and approvals and/or waiver required to be obtained and all matters required to be fulfilled in respect of the Sale and Purchase Agreement and the transaction contemplated thereby having been obtained and remain in full force and effect;

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- (j) all necessary governmental, regulatory and other third parties' consents, authorisations and approvals required to be obtained in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder having been obtained;
- (k) the Purchaser being satisfied with the legal, financial and business position and prospects of the Target Company, from the date of the Sale and Purchase Agreement and up to the date of Completion;
- (l) the Purchaser being satisfied with all the warranties, representations and undertakings given by the Vendors under the Sale and Purchase Agreement being true, accurate, correct and not misleading in all material respects and no relevant information being withheld, from the date of the Sale and Purchase Agreement until and up to Completion;
- (m) the Purchaser being satisfied with the compliance with and performance of all undertakings and obligations of the undertakings by the Vendor, from the date of the Sale and Purchase Agreement until and up to Completion; and
- (n) upon request(s), the Purchaser being provided with any proofs or documentations in respect of the fulfilment of any/all of the conditions precedent above.

The Vendor and the Purchaser may by agreement waive in whole or in part any of the Conditions Precedent. In the event that any of the Conditions Precedents are deemed not to have been fulfilled or are not fulfilled or waived (if applicable), in each case, at or before 1:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save in respect of any prior breaches of the Sale and Purchase Agreement.

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor and Mr. Johnny Sze jointly and severally warrant and undertake to the Purchaser that the audited consolidated net profit after tax excluding all extraordinary items of the Target Company (i.e. the Actual Net Profit) for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026, as derived in its audited financial statements as prepared in accordance with the terms of the Sale and Purchase Agreement for the corresponding year, shall not be less than RMB3,000,000, RMB4,500,000 and RMB6,000,000, respectively (equivalent to approximately HK\$3,234,153, approximately HK\$4,851,229 and approximately HK\$6,468,305, respectively) (i.e. the Guaranteed Profit).

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If the Actual Net Profit in aggregate for the three years ending 31 December 2026 is less than the Guaranteed Profit in aggregate for the three years ending 31 December 2026, the Vendor and Mr. Johnny Sze shall be jointly and severally obliged to pay to the Purchaser in cash an amount equivalent to 11 times the average shortfall between the Actual Net Profit and the Guaranteed Profit, multiplied by 37.5% (i.e. the Compensation) for the three years ending 31 December 2026, within 14 days after the issuance of the Target Company's audited financial statements for the three years ending 31 December 2026 which are expected to be issued on or before 30 June 2027. In the event that the Target Company recorded a loss in aggregate for the three years ending 31 December 2026, the Compensation will be calculated based on 11 times the Guaranteed Profit in aggregate for the three years ending 31 December 2026 multiplied by 37.5%. The Compensation is capped at the amount of the Consideration, which is RMB18,375,000 (equivalent to approximately HK\$19,809,185).

As set out in the Letter from the Board, the Profit Guarantee was determined after arm's length negotiations between the Vendor and the Company on the basis that (i) the Target Group has generated stable income for the year ended 31 December 2023, in comparison with that of the year ended 31 December 2022; (ii) as at the Latest Practicable Date, the Vendor is not aware of any potential factors which may materially change the revenue generating capacity of the Target Group for the three year ended 31 December 2026; (iii) the Target Group is taking action to occupy more market shares in the property management industry in the PRC market; and (iv) the main reason for the Target Company to turn from a net profit before tax for the year ended 31 December 2022 to a net loss before tax was the increase in finance costs due to the relevant loans, which would be settled pursuant to condition (f) and (g) of the Conditions Precedent. As such, we concur with the view of the Board that the Guaranteed Profit is fair and reasonable.

To protect the Company and its Shareholders as a whole, an undertaking was duly signed by Vendor and Mr. Johnny Sze, pursuant which the Vendor and Mr. Johnny Sze have undertaken for the mechanism to settle the Compensation (if any). The Company is of the view that such undertaking is valid and legally binding, and able to protect the Group and the interests of the Shareholders as a whole. In the event of the profit shortfall but the Vendor was not able to settle the Compensation upon the Company served a written notice, the Company will (i) negotiate with the Vendor for the repurchase of the Sale Shares by the Vendor; and (ii) issue a demand letter to the Vendor, and if, the Vendor still fails to comply with requirements as stipulated in the demand letter or does not give any reply within 14 days, the Company will start a lawsuit against the Vendor.

As disclosed in the Letter from the Board, the Company has requested to review a list of owned properties which demonstrated the sufficiency of financial resources the Vendor and Mr. Johnny Sze possessed, and the Company is satisfied with the repayment capability of the Vendor and Mr. Johnny Sze.

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7. Summary of the Valuation Report

As set out in the Letter from the Board, the summary of the Valuation Report are as follows:

Valuation methodology

The Independent Valuer adopted the Guideline Publicly-traded Comparable method under the market approach after considering the common valuation methods including cost approach, income approach and market approach.

Valuation Multiple

The Independent Valuer selected a price-to-sales (i.e. P/S) multiple of 0.23 times, being the lower quartile P/S multiple of the 34 comparable companies (i.e. the Comparables) principally engaged in the provision of property management services in the PRC, the shares of which were listed on the Stock Exchange.

The Independent Valuer are of the view that the Comparables according to the selection criteria under the Valuation Report represented an exhaustive list.

Discount for Lack of Marketability

The Independent Valuer imposed a 22.0% discount for lack of marketability to reflect the private nature of the Target Company.

8. Our analysis on the principal terms of the Sale and Purchase Agreement

a. Basis of the Consideration

As disclosed in the Letter from the Board, the Consideration of approximately RMB18.4 million (equivalent to approximately HK\$19.8 million) was determined with reference to (i) the appraised value of 100% of the issued share capital in the Target Company of approximately RMB49,957,000 (equivalent to approximately HK\$53,856,188) based on the Valuation Report prepared by the Independent Valuer as at 31 December 2023, being the Valuation Benchmark Date; (ii) the Profit Guarantee; and (iii) unaudited consolidated financial information of the Target Group for the year ended 31 December 2023.

We also noted that the valuation of 37.5% of the issued share capital of the Target Company (based on the valuation of 100% equity interest in the Target Company of approximately RMB50.0 million) was approximately RMB18.7 million. The Consideration of approximately RMB18.4 million represented a discount of approximately 1.6% to the valuation of 37.5% of the issued share capital of the Target Company of approximately RMB18.7 million.

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b. Our analysis on the Valuation Report

We have reviewed the Valuation Report prepared by the Independent Valuer on the valuation of the market value of 100% equity interest in the Target Company (the “**Valuation**”) as set out in Appendix I to the Circular. According to the Valuation Report, the market value of 100% equity Interest in the Target Company was approximately RMB50.0 million as at 31 December 2023, being the Valuation Benchmark Date.

For the expertise and independence of Independent Valuer, we have obtained and reviewed the following documents or information as part of our work: (a) the terms of engagement of the Independent Valuer with the Company; (b) the work scope of the Independent Valuer for preparing the Independent Valuation Report; and (c) the Valuer’s qualification and experience in relation to the preparation of the Valuation Report. From the engagement letter, we noted that there were no limitations on the scope of work when conducting the Valuation and the scope of work is appropriate to the opinion given. From the qualification and experience of core members in charge of the Valuation set out in the Valuation Report, we noted that the personnel leading the Valuation include (i) Mr. Jimmy Wong, who has provided professional valuation and related consulting service to clients for over 12 years and has served clients from a wide industry spectrum from the public and private domain, is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and Accredited in Business Valuation by the American Institute of Certified Public Accountants; and (ii) Mr. Matthew Leung, who has over nine years’ experience in valuation of both business and intangibles assets, is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. The Independent Valuer also confirmed that they, including the core members in charge of the Valuation, are independent to the Group and the Target Group pursuant to the Listing Rules. Having considered the above, including the independence of the Independent Valuer, we consider that the scope of work under the terms of engagement of the Independent Valuer is appropriate and the Independent Valuer possesses sufficient relevant experience in performing the Valuation.

We have discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the appraised value of 100% equity Interest in the Target Company. We noted from the Valuation Report that the Valuation was prepared based on market value, which follows the definition of market value as stipulated in International Valuation Standards (“**IVS**”). In accordance with the IVS, market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. When appropriate, the Independent Valuer might also make further reference to the Hong Kong Financial Reporting Standard 13 – Fair Value Measurement (“**HKFRS 13**”). The HKFRS 13 and IVS outline the general guidelines on the basis and valuation approaches used in the Valuation.

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As advised by the Independent Valuer, valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset. The Independent Valuer has adopted the market approach during the Valuation due to (i) compared to the income approach, the market approach makes less reliance on management assumptions but more on market expectations, and it is more appropriate to use the market approach for the Valuation which reflects the market participant's assessment without material management assumptions; and (ii) there are sufficient guideline publicly-traded comparable companies available in the market in order to facilitate a meaningful comparison and provide inputs for determining the valuation multiple. For further details of the reasons of rejection of the cost approach and the income approach by the Independent Valuer, please refer to the paragraph headed "Valuation Methodology" as set out in Appendix I to the Circular.

For the valuation methodology adopted by the Independent Valuer, we have performed independent market research on valuation methodology based on circulars published by companies listed on the Stock Exchange during a period from 1 January 2024 up to the date of Sale and Purchase Agreement, being 7 June 2024 (the "**Review Period**"). We consider that the Review Period is fair and reasonable for a general reference to valuation methodology as it (i) includes transactions of similar nature under prevalent market conditions and sentiments prior to the date of the Sale and Purchase Agreement; (ii) provides a meaningful reference to Independent Shareholders on valuation methodologies under current market practice; and (iii) allows Independent Shareholders to assess the fairness and reasonableness of the valuation methodology with reference to transactions conducted by companies listed on the Stock Exchange.

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Based on the aforesaid criteria, on a best effort basis, we have not identified any acquisition or disposal of companies which is principally engaged in the provision of property management services, cleaning services, security services or horticulture services. We have then released our research criteria and have selected transactions relating to acquisition or disposal of company from or to connected person by companies listed on the Stock Exchange (“**Valuation Methodology Comparables**”). Although the principal businesses, market capitalisations, financial performance and financial positions of the target companies of the Valuation Methodology Comparables are not the same as the Target Company, we consider the Valuation Methodology Comparables are appropriate to provide a general overview on the recent market practice of the valuation methodology under the current market condition and sentiments and thus the Valuation Methodology Comparables are fair and representative for comparison purpose. We have identified an exhaustive list of 15 Valuation Methodology Comparables as follows:

Company (stock code)	Date of circular	Asset to be acquired/disposed	Valuation approach
Yuexiu Property Company Limited (0123)	7 June 2024	Acquisition of a 20% interest in target holding company	Market approach
Dowell Service Group Co. Limited (2352)	3 June 2024	Equity transfer of 90.73% of interest in the target company	Market approach
XD, Inc (2400)	3 June 2024	Acquisition of 35% shareholding in target company	Market approach
V.S International Group Limited (1002)	24 May 2024	Acquisition of 43.29% of the issued share capital of the target company	Market approach
SY Holdings Group Limited (6069)	24 April 2024	Disposal of equity interest in target company	Asset-based approach and income approach
ANE (Cayman) Inc (9956)	12 April 2024	Acquisition of 2.7903% equity interest in subsidiary	Income approach
Lushang Life Services Co., Ltd (2376)	22 March 2024	Disposal of 100% of equity interest in target company	Asset-based approach
Jiangsu Expressway Company Limited (177)	6 March 2024	Acquisition of 65% equity interest in target company	Income approach

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Date of circular	Asset to be acquired/disposed	Valuation approach
AGTech Holdings Limited (8279)	5 March 2024	Disposal of 30% equity interest in target company	Market approach
Kinetic Development Group Limited (1277)	21 February 2024	Acquisition of 100% equity interest in target company	Asset-based approach
Zhejiang Yongan Rongtong Holdings Co., Ltd (8211)	5 February 2024	Equity transfer of entire equity interest in target company	Market approach
C&D International Investment Group Limited (1908)	2 February 2024	Acquisition of 100% equity interest in target company	Asset-based approach
China Zheng Tong Auto Services Holdings Limited (1728)	22 January 2024	Disposal of 5.77% of equity interest in target company	Market approach
KFM Kingdom Holdings Limited (3816)	15 January 2024	Disposal of 70% equity interest in target company	Asset-based approach
Honghua Group Limited (196)	5 January 2024	Disposal of an indirect wholly-owned subsidiary	Asset-based approach

According to the table above, we noted that among 15 Valuation Methodology Comparables, 7 of which adopted market approach, 5 of which adopted assets approach, 2 of which adopted income approach, and 1 of which adopted asset-based approach and income approach for valuation of target companies. As (i) market approach is adopted by most of the Valuation Methodology Comparables under the current market condition and sentiments; and (ii) the Valuation and Valuation Methodology Comparables involved valuation of business, we considered that the valuation methodology conducted by the Independent Valuer is comparable to the valuation methodology for the Valuation Methodology Comparables. Based on the consideration on the valuation methodology by the Independent Valuer as set out in the paragraph headed “Valuation Methodology” in Appendix I to the Circular and our market research on the Valuation Methodology, we concur with the Independent Valuer that the market approach is appropriate for valuation of the Target Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Valuer further advised that, under the market approach, the Valuation can be determined based on its (i) most recently traded or transacted prices; (ii) guideline publicly-traded comparable method; and (iii) comparable transactions method. The Independent Valuer has adopted guideline publicly-traded comparable method during the Valuation due to a reliable pool of comparable companies identified with sufficient and reliable financial data disclosed. Under the guideline publicly-traded comparable method, the appraised value of the Valuation is derived from last trading multiples of a selected set of guideline publicly-traded comparable companies where trading multiples, are measures of relative value computed by dividing the market capitalisations (or sometimes enterprise value) of the comparable Companies by some identified value-driving economic variable(s) observed or calculated from their latest published fundamental data, being typically their financial metrics (such as revenue, earnings before interests and taxes, net profit, book equity) or other industry-specific value drivers as at the valuation date. For the reasons of the rejection of the most recently traded or transacted prices and the comparable transactions method by the Independent Valuer, please refer to the paragraph headed “Application of Market Approach” as set out in Appendix I to the Circular.

The Independent Valuer selected P/S ratio for the Valuation of the Target Company. As advised by the Independent Valuer, P/S ratio is adopted due to (i) the Target Company has suffered from a net loss for the year ended 31 December 2023, which makes the earnings multiples (e.g. price-to-earnings) not feasible; (ii) P/S ratio is a widely used valuation multiple for valuing a company with stable revenue streams yet negative earnings; and (iii) the property management sector of the Target Company is well-established and well expected to generate stable revenue, the P/S ratio of similar companies can provide insights on how the market perceives the growth potential of business with similar nature.

For the comparable companies as set out in the Valuation Report (the “**Comparable Companies**”), we noted from the Valuation Report that their selection is based on the searching through Bloomberg terminal and online searching. Criteria set by the Independent Valuer to ensure similarity between the Comparable Companies and the Target Company are (i) principal business of the Comparable Companies are engaged in property management business (i.e. more than 50% of their respective revenue is from property management business); (ii) principal location of main business (largest revenue by location) of the Comparable Companies is operated in the PRC; and (iii) gross floor area under management of the Comparable Companies are less than 100 million square meters (based on latest available information) to match with the business scale of the Target Company. Based on the above, we are satisfied that the selection criteria are a meaningful analysis of the market value of the Target Company under the Valuation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the company descriptions, principal activities, locations of operations of 34 Comparable Companies identified by the Independent Valuer as set out in the Valuation Report. The Independent Valuer also consider the list of Comparable Companies is exhaustive based on their research and selection criteria on a best-effort basis and the comparable pool has represented a complete comparable pool sufficient to form a fair and reasonable valuation opinion. As such, we concur with the view of the Independent Valuer that the Comparable Companies are comparable to the Target Company. For further details of the details and P/S ratios of the Comparable Companies, please refer to the paragraph headed “Application of Market Approach” as set out in Appendix I to the Circular.

Based on statistics derived by the P/S ratios of Comparable Companies, we noted from the Valuation Report that the P/S ratios of Comparable Companies ranged from 0.07 to 2.18 with mean, median, and lower quartile of 0.65, 0.52 and 0.23, respectively. As advised by the Independent Valuer, they adopted P/S ratio of 0.23 for the Valuation (i.e. the lower quartile of the P/S ratios of Comparable Companies) due to (i) the net profit margin of the Target Company is below but near to the lower quartile of the net profit margin of Comparable Companies; (ii) the sales growth of the Target Company is below but near to the lower quartile of the sales growth among the Comparable Companies; and (iii) the implied net profit margin of approximately 1.62% (based on the average annual Profit Guarantee of RMB4.5 million and the revenue of the Target Company of approximately RMB278.5 million for the year ended 31 December 2023) was higher than the lower quartile of the Comparable Companies. Based on the above, we concur with the view of the Independent Valuer that the adoption of lower quartile of the P/S ratio of the Comparable Companies is fair and reasonable.

As further set out in the Valuation Report, the Independent Valuer have adopted a discount for lack of marketability (“**DLOM**”) of 22.0%. DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. The Independent Valuer has made reference to the Pluris DLOM database, which mainly composed of (i) restricted stock equivalent discount based on the average discount of trading restricted stocks in the real estate sector; and (ii) private equity discount increment by comparing the discounts associated with the largest block transaction (presumed to be the least liquid) to the average and median discount indications of all transactions in the Pluris database.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to DLOM adopted by the Independent Valuer, we have performed market research on DLOM based on circulars published by Valuation Methodology Comparables during a period from 1 January 2024 up to the date of Sale and Purchase Agreement, being 7 June 2024. The DLOM of the Valuation Methodology Comparables are as follows:

Company (stock code)	Date of circular	Asset to be acquired/disposed	DLOM
Yuexiu Property Company Limited (0123)	7 June 2024	Acquisition of a 20% interest in target holding company	N/A
Dowell Service Group Co. Limited (2352)	3 June 2024	Equity transfer of 90.73% of interest in the target company	15.4%
XD, Inc (2400)	3 June 2024	Acquisition of 35% shareholding in target company	25.0%
V.S International Group Limited (1002)	24 May 2024	Acquisition of 43.29% of the issued share capital of the target company	15.7%
SY Holdings Group Limited (6069)	24 April 2024	Disposal of equity interest in target company	N/A
ANE (Cayman) Inc (9956)	12 April 2024	Acquisition of 2.7903% equity interest in subsidiary	N/A
Lushang Life Services Co., Ltd (2376)	22 March 2024	Disposal of 100% of equity interest in target company	N/A
Jiangsu Expressway Company Limited (177)	6 March 2024	Acquisition of 65% equity interest in target company	5.0%
AGTech Holdings Limited (8279)	5 March 2024	Disposal of 30% equity interest in target company	15.7%
Kinetic Development Group Limited (1277)	21 February 2024	Acquisition of 100% equity interest in target company	N/A
Zhejiang Yongan Rongtong Holdings Co., Ltd (8211)	5 February 2024	Equity transfer of 41.67% interest in target company	20.5%
C&D International Investment Group Limited (1908)	2 February 2024	Acquisition of 100% equity interest in target company	N/A
China Zheng Tong Auto Services Holdings Limited (1728)	22 January 2024	Disposal of 5.77% of equity interest in target company	N/A
KFM Kingdom Holdings Limited (3816)	15 January 2024	Disposal of 70% equity interest in target company	N/A
Honghua Group Limited (196)	5 January 2024	Disposal of an indirect wholly-owned subsidiary	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the above table that only 6 out of 15 connected transactions involving the acquisition or disposal of target companies adopted DLOM, with a range of approximately 5.0% to approximately 25.0% and average DLOM of approximately 16.2%. The DLOM adopted in the Valuation of 22.0% was within the range and above the average of DLOM of Valuation Comparable Companies. We considered that DLOM adopted by the Independent Valuer for the Valuation is appropriate for valuation of the Target Company.

Based on the information as set out in the Valuation Report and our analysis above, we concur with the view of the Directors that the Valuation Report to be the appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the Equity Consideration.

c. Our analysis on the Profit Guarantee

As set out in the Letter from the Board, pursuant to the Sale and Purchase Agreement, the Vendor and Mr. Johnny Sze jointly and severally warrant and undertake to the Purchaser that the Actual Net Profit the Target Company for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026, as derived in its audited financial statements as prepared in accordance with the terms of the Sale and Purchase Agreement for the corresponding year, shall not be less than RMB3,000,000, RMB4,500,000 and RMB6,000,000, respectively (equivalent to approximately HK\$3,234,153, approximately HK\$4,851,229 and approximately HK\$6,468,305, respectively).

Based on the Profit Guarantee, the average Actual Net Profit for the three years ending 31 December 2026 amounted to approximately RMB4.5 million (the “**Average Actual Net Profit**”). The implied consideration for 100% of the equity interest based on the Consideration amounted to approximately RMB49.0 million (the “**Implied Consideration**”). The implied price to earnings ratio (“**PE Ratio**”) of the Target Company based on the Average Actual Net Profit and Implied Consideration (the “**Implied PE Ratio**”) was approximately 10.89 times.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Implied PE Ratio, we have performed our research on the PE Ratio of the Comparable Companies as set out in the Valuation Report based on their latest published annual reports, annual results announcements, interim reports or interim results announcement, where applicable. Set out below are the PE Ratio of the Comparable Companies.

Company (stock code)	PE Ratio (times)
Zhenro Services Group Ltd (6958)	N/A
Roiserv Lifestyle Services Co Ltd (2146)	0.96
Zhong Ao home Group Ltd (1538)	3.40
Yincheng Life Service Co Ltd (1922)	3.66
Excellence Commercial Property & Facilities Management Group Ltd (6989)	5.61
First Service Holding Ltd (2107)	6.94
Dowell Service Group Co Ltd (2352)	17.95
Jinmao Property Services Co Ltd (816)	6.85
Redsun Services Group Ltd (1971)	19.79
Yuexiu Services Group Ltd (6626)	10.03
Hevol Services Group Co Ltd (6093)	9.93
Xinyuan Property Management Service Cayman Ltd (1895)	15.26
C&D Property Management Group Co Ltd (2156)	8.60
Binjiang Service Group Co Ltd (3316)	9.19
Financial Street Property Co Ltd (1502)	1.79
Beijing Capital Jiaye Property Services Co Ltd (2210)	1.25
Dexin Services Group Ltd (2215)	25.25
Ronshine Service Holding Co Ltd (2207)	35.11
Kangqiao Service Group Ltd (2205)	12.90
Landsea Green Life Service Co Ltd (1965)	N/A
SCE Intelligent Commercial Management Holdings Ltd (606)	2.02
Lushang Life Services Co Ltd (2376)	1.28
Huafa Property Services Group Co Ltd (982)	9.73
New Hope Service Holdings Ltd (3658)	5.78
Ling Yue Services Group Ltd (2165)	3.88
Redco Healthy Living Co Ltd (2370)	N/A
Fineland Living Services Group Ltd (9978)	N/A
Ye Xing Group Holdings Ltd (1941)	N/A
Sundy Service Group Co Ltd (9608)	26.10
Orient Victory Smart Urban Services Holding Ltd (265)	9.26
Suxin Joyful Life Services Co Ltd (2152)	2.16
Xingye Wulian Service Group Co Ltd (9916)	6.25
Desun Real Estate Investment Services Group Co Ltd (2270)	17.55
Riverine China Holdings Ltd (1417)	N/A

Note: N/A denotes the respective Comparable Companies recorded net loss after tax during the latest applicable financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, the PE Ratio of Comparable Companies ranged from approximately 0.96 times to approximately 35.11 times with average PE Ratio of approximately 9.94 times. The Implied PE Ratio of approximately 10.89 times is within the range of PE Ratio and above the average PE Ratio of Comparable Companies. As such, we concur with the view of the Directors that the amount of the Profit Guarantee is fair and reasonable.

As set out in the Letter from the Board, if the Actual Net Profit in aggregate for the three years ending 31 December 2026 is less than the Guaranteed Profit in aggregate for the three years ending 31 December 2026, the Vendor and Mr. Johnny Sze shall be jointly and severally obliged to pay to the Purchaser in cash an amount equivalent to 11 times the average shortfall between the Actual Net Profit and the Guaranteed Profit, multiplied by 37.5% (i.e. the Compensation) for the three years ending 31 December 2026, within 14 days after the issuance of the Target Company's audited financial statements for the three years ending 31 December 2026 which are expected to be issued on or before 30 June 2027. The Compensation is capped at the amount of the Consideration, which is RMB18,375,000 (equivalent to approximately HK\$19,809,185).

Based on the terms of the Profit Guarantee, if aggregated Actual Net Profit for the three years ending 31 December 2026 is less than the aggregated Guaranteed Profit for the three years ending 31 December 2026, the Compensation is equal to 11 times the average shortfall between the Actual Net Profit and the Guaranteed Profit, multiplied by 37.5% (i.e. the Compensation), which is higher than the Implied PE Ratio of 10.89 times. Under the extreme circumstances that the Target Company did not record any Actual Net Profit or even recorded losses for the three years ending 31 December 2026, the Compensation would be equal to 11 times of the Guaranteed Profit of approximately RMB4.5 million for the three years ending 31 December 2026, multiplied by 37.5%, i.e. RMB18.6 million. The Compensation is capped at the amount of the Consideration and as such, total Compensation of approximately RMB18.4 million may have to be paid by the Vendor and Mr. Johnny Sze under such circumstances. On the other hand, the Group shall share the financial results of the Target Company if the aggregated Actual Net Profit for the three years ending 31 December 2026 is more than the aggregated Guaranteed Profit for the three years ending 31 December 2026.

As disclosed in the Letter from the Board, the Vendor and Mr. Johnny Sze have undertaken for the mechanism to settle the Compensation (if any) (the “**Undertaking**”). The Company is of the view that such Undertaking is valid and legally binding, and able to protect the Group and the interests of the Shareholders as a whole. In the event of the profit shortfall but the Vendor was not able to settle the Compensation upon the Company served a written notice, the Company will (i) negotiate with the Vendor for the repurchase of the Sale Shares by the Vendor; or (ii) issue a demand letter to the Vendor, and if, the Vendor still fails to comply with requirements as stipulated in the demand letter or does not give any reply within 14 days, the Company will start a lawsuit against the Vendor (the “**Internal Control Procedure**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as mentioned in the paragraph headed “Reasons for and benefits of entering into the Sale and Purchase Agreement” in the Letter from the Board, the Acquisition shall enable the Group to leverage on its current environmental hygiene and related services business to create synergies to benefit the Group’s business and financial performance for sustainable growth, as well as to expand geographically to develop a sustainable and diversified business of the Group in the future.

Taken into consideration (i) the Implied PE Ratio is within the range of the PE Ratio of the Comparable Companies; (ii) the Profit Guarantee and Compensation can reduce the financial risk of the Group during the three years ending 31 December 2026 arising from the Acquisition; (iii) the synergy between environmental hygiene and related services business of the Group and the property management business of the Target Group; (iv) diversification of the income source of the Group with stable management fees; (v) the expertise and experience of the Target Group in the property management industry; (vi) the Undertaking by the Vendor and Mr. Johnny Sze is valid and legally binding; (vii) the Internal Control Procedure implemented by the Company in the case of default in payment of the Compensation by the Vendor and Mr. Johnny Sze; (viii) the satisfaction of the due diligence result by the Company on the sufficiency of financial resources possessed by the Vendor and Mr. Johnny Sze; and (ix) the opportunity of the Group to expand its environmental hygiene and related services business through property management services sector in the PRC via the Target Group, we concur with the view of the Directors that, the Profit Guarantee, the amount of the Profit Guarantee and the Internal Control Procedure is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

9. Possible financial effect of the Acquisition

As a result of the completion of the Acquisition, (a) the Target Company will become an associate of the Company owned as to approximately 37.5%; and (b) the financial results of the Target Group will be recognised as share of results of associates of the Company.

The Acquisition will result in a cash outflow of the Group in the amount of the aggregated Consideration of approximately RMB18.4 million (equivalent to approximately HK\$19.8 million). Given (i) there are three instalments for the Consideration. The first instalment and second instalment of the Consideration, aggregated to approximately RMB14.7 million (equivalent to approximately HK\$15.8 million), which is expected to be settled during the financial year ending 31 December 2024, represented approximately 16.9% of the cash and cash equivalent of the Group of approximately HK\$93.6 million as at 31 March 2024; (ii) the Group is expected to recognise share of results of the Target Group; and (iii) there are no capital commitment expected to be borne by the Company pursuant to the Sale and Purchase Agreement, we concur with the Company that the Acquisition will not have material adverse effect on the working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as analysed above, we are of the view that, although the Sale and Purchase Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement.

Yours faithfully,
for and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 26 years of experience in corporate finance industry.

31 July 2024

Board of Directors
Winson Holdings Hong Kong Limited
Unit 1926, 19/F
Global Plaza
1 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

Dear Sir/Madam,

**VALUATION OF LASK JV FACILITY MANAGEMENT
SERVICES LIMITED**

In accordance with the instructions from Winson Holdings Hong Kong Limited (the “**Company**”), we have been engaged by the Company to assist to determine the following subject of valuation as at 31 December 2023 (the “**Valuation Date**”).

- Valuation of the Market Value of 100% equity interest in Lask JV Facility Management Services Limited¹ (“**Subject of Valuation**”) as at the Valuation Date for the Company’s transaction reference.

Our analyses are substantially based on the information provided to us by the existing management of the Company (the “**Management**”). It is our understanding that our analyses, and the subsequent appraised estimation of Market Value (as defined in the section of Standard and Basis of Value), will be used by the Management solely for their purpose of transaction reference only. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purpose other than those that are expressly stated herein without our expressed prior written consent.

Our work was subject to section Statement of Limiting Conditions as described till the end of this report. The basis of value follows the definition of Market Value as stipulated in International Valuation Standards (“**IVS**”), premised on the Subject of Valuation being a “Highest and Best Use” basis.

¹ In Chinese: 歷思聯行設施管理服務有限公司

The approaches and methodologies used in our work did not comprise an examination to ascertain whether the Company's presented financial information was constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is of course to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of the Company's financial condition. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of the Company, and of the marketing materials or other data provided to us by the Management.

Our conclusions on Market Value do not constitute nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist to determine the Market Value of the Subject of Valuation as at the Valuation Date. It is our understanding that our analysis will be used by the management of the Company solely for their transaction reference only.

STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Market Value. In accordance with the IVS, Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. When appropriate, we might also make further reference to the Hong Kong Financial Reporting Standard 13 – Fair Value Measurement (“**HKFRS 13**”). The HKFRS 13 and IVS outline the general guidelines on the basis and valuation approaches used in valuation.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

- Highest and Best Use: is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;
- Current Use/Existing Use: is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use;
- Orderly Liquidation: describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and
- Forced Sale: is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of the Subject of Valuation should be prepared on a “Highest and Best Use” basis.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

LEVEL OF VALUE

Current valuation theories suggest that there are at least three basics “levels” of value applicable to a business or business interest. The three most common levels of value are as follows:

Controlling Interest:	Value of the controlling interest, always evaluate an enterprise as a whole;
Non-controlling Interest:	Value of the non-controlling interest of a business;
As if Freely Tradable Minority Interest:	Value of a minority interest, lacking control, but enjoys the benefit of market liquidity; and
Non-marketable Interest	Value of a business that or business interest lacking market liquidity.

After having reviewed all background and financial information and take into consideration all relevant and objective facts, we reasonably believe Subject of Valuation should be prudently valued and reported in this valuation as a Non-Controlling Interest and Non-marketable Interest.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and conducted certain procedures including but not limited to:

- Obtained unaudited accounts of the Subject of Valuation for the period ended 31 December 2022 and 31 December 2023;
- Obtained the access to business information of the Subject of Valuation.

We have also relied upon publicly available information from sources in capital markets, including industry reports, news and various databases of publicly traded companies.

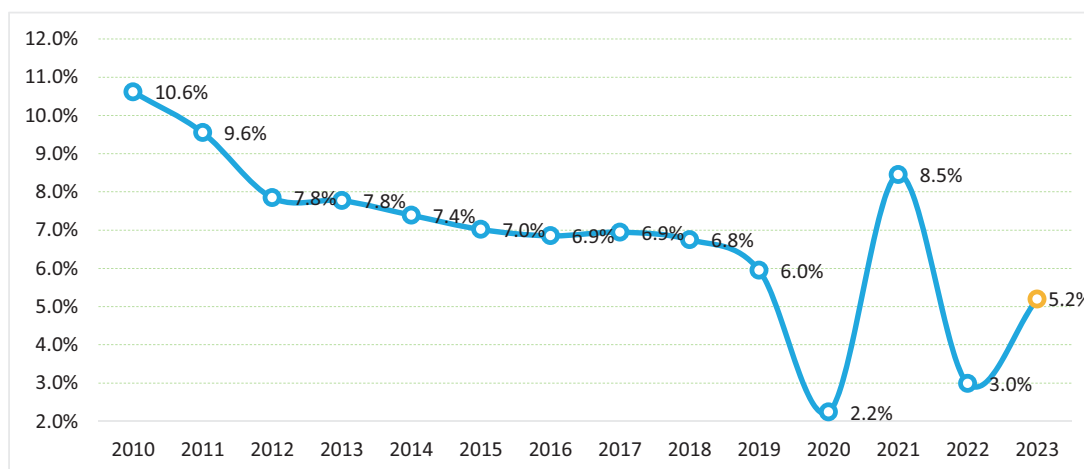
ECONOMIC OVERVIEW

To substantiate the economic background of the country where the Subjects of Valuation is located, we have reviewed the economic condition of China where the Subjects of Valuation will derive its future income from.

GDP Growth in China

According to the draft proposal of the 14th Five-Year Plan (2021-2025) and Vision 2035(2021-2035), China aims on building a moderately prosperous society in all respects. Therefore, the economy growth is expected to be kept from high-speed growth to high-quality growth and rebalanced with supply-side structural reform.

China’s year-on-year real GDP growth recovered to 4.5% in the first quarter and 6.3% in the second quarter of 2023 due to the post-COVID reopening and a favourable base effect. However, the economic recovery was uneven, with the services sector generally outperforming the goods sector. Sequentially, the pace of recovery moderated during the second quarter reflecting fragile private sector confidence, renewed weakness in the property market and a slowdown in exports. According to World Economy Outlook Database published by International Monetary Fund (“IMF”) in January 2024, the China economy grew by 5.2% year on year in 2023, slightly above the official target of around 5% set for the whole year.

Real GDP Annual Growth Rate in China, 2010-2023

Source: World Economic Outlook Database (January 2024), International Monetary Fund & National Bureau of Statistics of China

Real GDP Annual Growth Rate and Inflation Forecast of China

	2024F	2025F	2026F	2027F	2028F
Real GDP Annual Growth Rate (%)	4.6	4.1	4.1	3.7	3.4
Inflation (%)	1.7	2.2	2.2	2.2	2.2

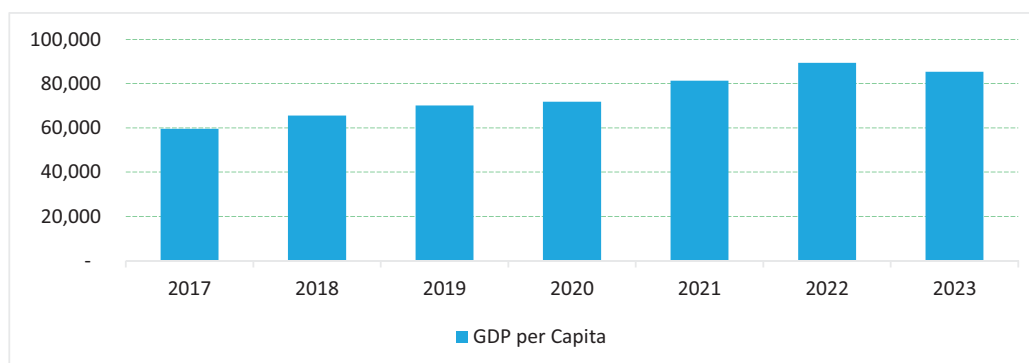
Source: World Economic Outlook Database (October 2023), International Monetary Fund

In the period ahead, China's economic recovery is expected to continue but is still facing headwinds from the challenging external environment and soft domestic demand. On the external front, exports may stay sluggish amid faltering external demand and ongoing worries about geoeconomic fragmentation, even though exports of certain items, such as automobiles and new energy products, showed some strength. Domestically, the property market is likely to remain soft, as it may take time for homebuyers' confidence to return.

GDP per Capita in China

The 13th Five-Year Plan adopted in 2016 mandated that China becomes a “moderately prosperous society” and doubles its real GDP between 2010 and 2020. The disposable income level, one of the good measures, has grown significantly over the past few years. According to the latest data from National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB39,251 in 2018 to RMB51,281 in 2023, representing a CAGR of approximately 4.0%; annual disposable income per capita of rural households has increased from RMB14,617 in 2018 to RMB21,691 in 2023, representing a CAGR approximate to 6.8%. In comparison to the inflationary figures, the annual inflation rate is between 0.9% and 2.2% during the period from 2017 to 2023. Hence, the living standard of Chinese people saw an overall improvement.

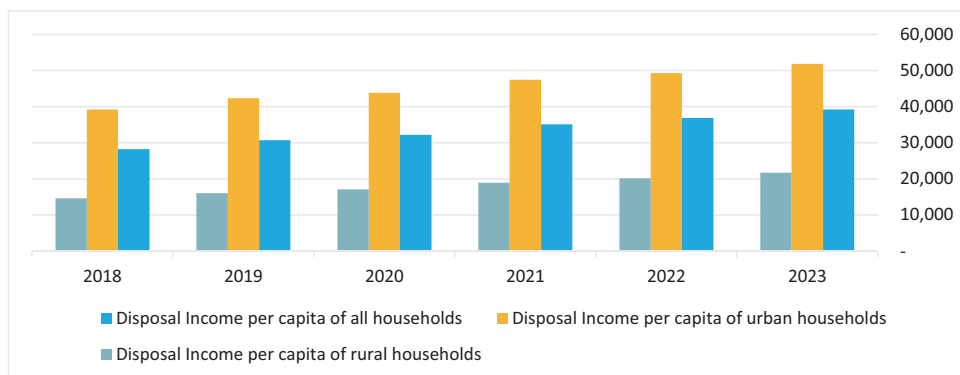
The following diagram shows the GDP per capita of China from 2017 to 2023.

GDP per capita (RMB) of China from 2017 to 2023

Source: National Bureau of Statistics of China

The following diagram shows the annual resident disposal income per capita from 2018 to 2023.

Disposal income per capita of China from 2018 to 2023



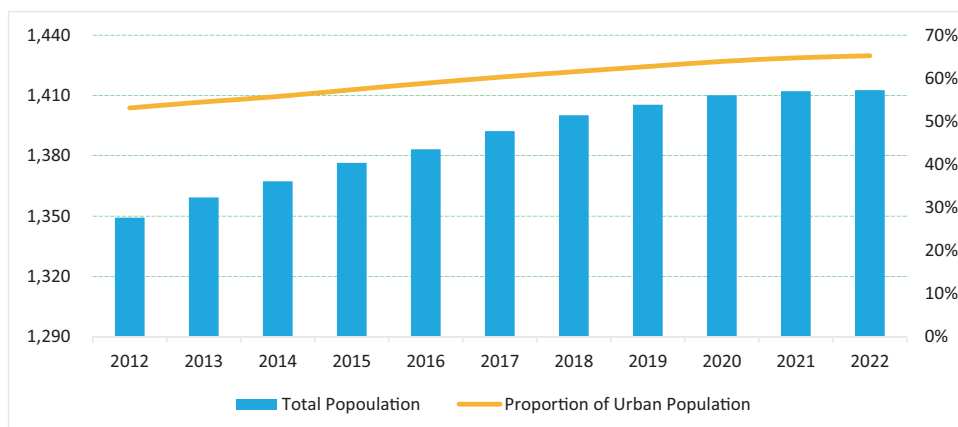
Source: National Bureau of Statistics of China

Population Growth

The population growth of China tends to become slow these years. According to the National Bureau of Statistics of China, the population has grown from 1.36 billion in 2012 to 1.41 billion in 2022, representing a CAGR of approximately 0.4%. The proportion of urban population in China increased from 53% in 2012 to 65% in 2022.

The following diagram shows the population growth and corresponding urban population growth in China from 2012 to 2022.

Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

For the next ten years, the population growth is supposed to be steady. The future growth of the domestic demand should depend on the population growth, as well as the increasing urbanization and expansion of the middle class. Meanwhile, the unemployment rate was recorded at around 5.0% for the past few years, and it is expected the rate will gradually moderate to 5.2% during 2024 to 2028.

China's one-child policy starting from 1979 has slowed down the birth rate, but the side effect of the policy starts to take effect in the current decade. The number of elderly people is rising and this age group is forecasted to grow in the next few decades while the number of children aged from 0 to 14 years old fluctuated around 223 million. The Government has realized this trend and introduced two-child policy since October 2015. As a result, the number of the 0-to-14-years-old enjoys a slight rise to 239 million in 2022, with the CAGR of 0.6% from 2013 to 2022.

Age Distribution of China from 2013 to 2022 and CAGR

Population Aged	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR
0-14 (<i>million</i>)	224	227	228	233	235	238	237	253	247	239	0.6%
15-64 (<i>million</i>)	1,010	1,010	1,010	1,009	1,005	1,001	996	969	965	963	-0.4%
65 and Over (<i>million</i>)	133	139	145	150	160	167	178	191	201	210	5.1%

Source: National Bureau of Statistics of China

Inflation

The inflation rate in China has slightly decreased since 2011 and picked up in 2017. After a slight pickup at the beginning of 2023 following the economic reopening, headline consumer price index inflation edged down to around zero in recent months as goods inflation declined amid decreased pork and energy price pressures, and services inflation also stayed moderate. According to IMF, the inflation rate was recorded at 0.7% in 2023 in China and is estimated to grow modestly to 1.7% in 2023. Regarding 2024, inflation is expected to remain below the authorities' target of 3.0%. However, the outlook of China's inflation is far left behind compared with the inflation of world's average and of emerging and developing economies.

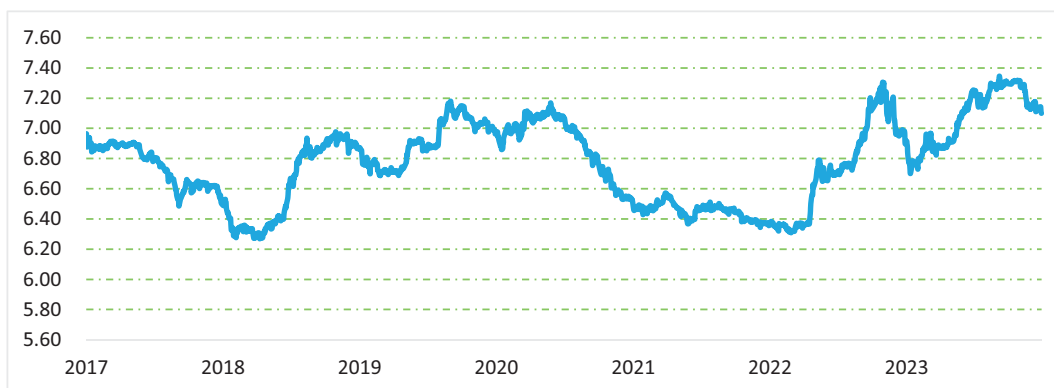
Annual Inflation Forecasts of China versus World Economies

	Inflation rate, average consumer prices (Annual percent change)				
	2024F	2025F	2026F	2027F	2028F
World	5.8	4.6	4.2	3.9	3.8
Emerging market and developing economies	7.8	6.2	5.7	5.2	5.0
China	1.7	2.2	2.2	2.2	2.2

Source: World Economic Outlook Database (October 2023), International Monetary Fund

Amid concerns about the weaker-than-expected domestic economic recovery and widened interest rate differentials vis-a-vis the US, the onshore RMB (CNY) generally depreciated against the USD during 2023 with its offshore counterpart (CNH) generally trading lower during the same period. With renewed depreciation pressure, the PBOC announced to lower the foreign exchange required reserve ratio (“RRR”) by 2% to 4%, effective from 15 September. The central bank reiterated that it will firmly prevent large fluctuations in the RMB exchange rate and correct the pro-cyclical, one-sided market actions when necessary.

US Dollar Versus RMB Yuan, 2017-2023



Source: Bloomberg

Government Policy

In the annual Central Economic Work Conference held in Beijing in December 2023, the authority emphasised that China’s economy has achieved a recovery, with solid progress made in high-quality development in 2023. To further revive the economy, China still has to overcome some difficulties and challenges, including lack of effective demand, overcapacity in some sectors, lacklustre social expectations, certain risks and hidden problems, bottlenecks in the domestic circulation, as well as rising complexity, severity and uncertainty of the external environment.

The meeting listed priorities in nine aspects for the economic work in 2024 as follows:

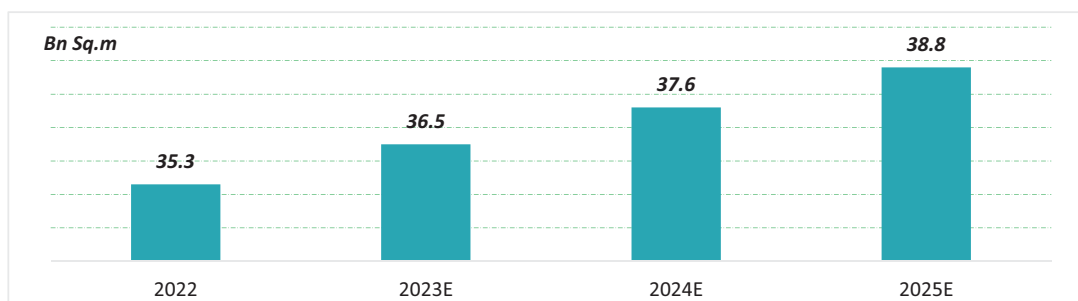
- Sci-tech innovation should lead the development of a modern industrial system;
- Expanding more to domestic demand;
- Deepen Reforms in key areas;
- Expanding high-standard opening up;

- Prevented and defused Risks in key areas in a continuous and effective manner;
- Making sustained efforts to do a good job in the work related to agriculture, rural areas and farmers;
- Making efforts to facilitate integrated urban-rural development and coordinated regional development;
- Advance ecological conservation and promote green and low-carbon development; and
- Making efforts to secure and improve people’s livelihoods.

INDUSTRY OVERVIEW

Followed by the official promulgation of the Provisions on Property Management² in 2003 and Property Law of People’s Republic of China³ in 2007, the regulatory framework for the property management industry of PRC gradually took shape and matured, and an open and fair market system was established, which encouraged significant growth of the industry. Nowadays the PRC property management industry services a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties. According to China Property Management Research Institution and CRIC China, the total Gross Floor Area (“GFA”) under management in China has reached 35.3 billion square meters as at 2022 and is expected to reach 38.8 billion square meters by 2025, representing a compound annual growth rate (“CAGR”) of 3.2% from 2021 to 2025.

Figure 1 GFA Under Management of Property Management Sector in PRC



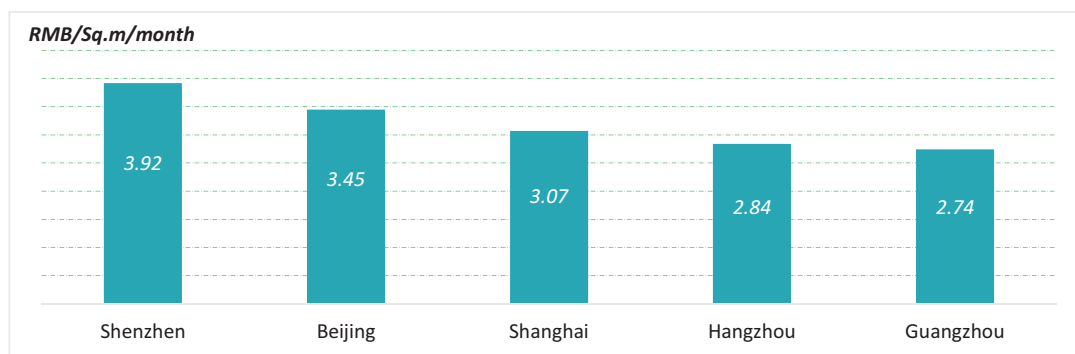
Source: China Property Management Research Institution, CRIC China

² 《物業管理條例》

³ 《中華人民共和國物權法》

In the PRC, property management fees may be charged either on a lump sum basis or commission basis. The lump sum model for property management fees is the dominant revenue model in the property management industry in the PRC, especially for residential properties, as it can bring efficiency by dispensing with certain collective decision-making procedures for large expenditures by property owners and residents and incentivise property management service providers to optimise their operations to enhance profitability. On the other hand, the commission model is increasingly adopted in non-residential properties to make property owners more deeply involved in the management of their properties with closer supervision over the performance of the property management service providers.

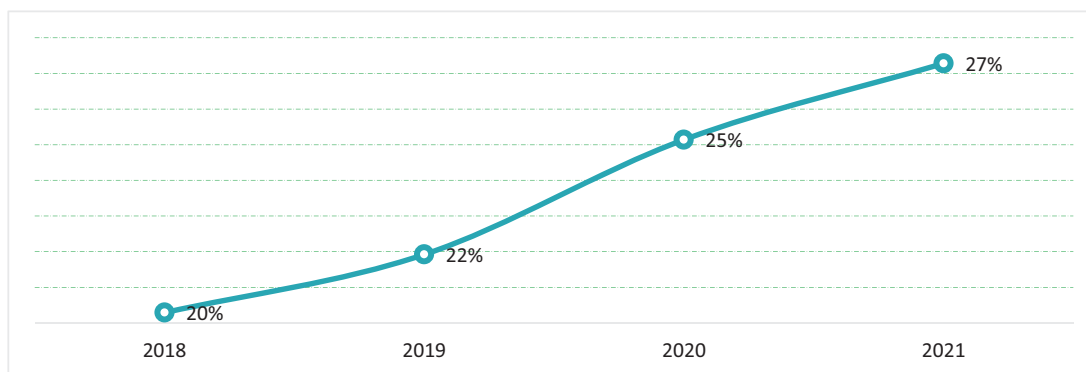
Figure 2 Average Property Management Service Fee Rates for Tier 1 Cities in PRC (December 2023)



Source: CREIS

In response to evolving customer needs and facing increasing operational pressure driven by rising cost, property management companies have become increasingly willing to explore different business models and opportunities. Property management companies are increasingly diversifying the types of managed non-residential properties as management of such properties generally has a higher profit margin as compared to residential properties. Property management companies are also increasingly diversifying their revenue streams by offering various value-added services for higher profitability. These mainly include pre-delivery services and consultancy services to property developers and community value-added service to property owners and residents, such as common area operation, property agency, e-commerce, finance, housekeeping and cleaning, elderly care and nursing services and other various bespoke services. According to China Property Management Research Institution and CRIC China, the proportion of value-added service in total revenue of the top 500 PRC property management companies has increased from 20% in 2018 to 27% in 2021.

Figure 3 Revenue Proportions of Value-added Services for Property Management Companies in PRC



Source: China Property Management Research Institution, CRIC China

Industry Growth Drivers

In views of near term prospect, the growth of the property management industry in the PRC mainly depends on the following key drivers:

- Favourable policies

The Circular of the National Development and Reform Commission (“**NDRC**”) on the Opinions of Relaxing Price Controls in Certain Services⁴ allows the management fee to be set based on negotiation instead of regulation. The Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure⁵ promotes the development of property management industry. In June 2017, the Opinion on Strengthening and Improving the Governance of Urban and Rural Communities⁶ encouraged the industry to expand its geographical coverage into rural areas.

⁴ 《國家發展和改革委關於放開部分服務價格意見的通知》

⁵ 《關於加快發展生活性服務業促進消費結構升級的指導意見》

⁶ 《關於加強和完善城鄉社區治理的意見》

- Rapid urbanisation, increasing per capita disposable income

The level of urbanisation and per capita disposable income in the PRC have increased significantly in recent years and have accelerated the growth of the property management industry. According to China Bureau of Statistics, the urbanisation rate (being the projected average rate of the size of the urban population over the given period of time) in China increased from 34.8% in 1999 to 66.2% in 2023, with the urban population increasing by approximately 20.6 million each year. Moreover, China's rapid economic growth has spurred continuous growth in the per capita disposable income for the urban population which increased to RMB51,821 in 2023, representing a CAGR of 7.5% since 2015. Consumers in China increasingly demand better living conditions and high-quality property management services, which is another underlying driver for the growth of the industry.

Future Opportunities and Challenges

- Adopting merger and acquisition strategies for market expansion.

The market leaders are commonly adopting the merger and acquisition strategy to expand their market shares. In recent years, a growing number of leading property management companies are actively looking for financing and listing opportunities. With the support of the capital market, the property companies are eager to achieve a substantial business expansion through merger and acquisition actions. It is expected that more mergers and acquisitions will take place in the near future.

- Digital Management.

With the prevalent adoption of the internet, big data, internet of things (“**IoT**”) and other related technologies, property management companies are motivated to promote the application of digital management. Popular practices include one-stop service app, intelligent facilities management system, access control system and etc. These practices promote the management efficiency and cut the expense.

- Growing labour cost.

The property management market is a labour-intensive market. The average annual wage is increasing in recent years, which results in a growing labour cost. The average annual wage of real estate industry indicates such trend.

COMPANY OVERVIEW**Winson Holdings Hong Kong Limited**

The Company is an investment holding company and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 6812). The Company is principally engaged in the provisions of environmental hygiene, pest management, airline catering support and related services. The Company operates through two main segments. The Environmental Hygiene Services segment is mainly engaged in the provision of public area and office cleaning, waste disposal, external curtain wall and window cleaning, marble floor maintenance and pest management services. The Airline Catering Support Services segment is primarily involved in the provision of handling, packing, checking and transporting food or non-food items as well as meals plating and tray-setting services.

Lask JV Facility Management Services Limited

Lask JV Facility Management Services Limited is a company incorporated in Hong Kong and its principal business activity is investment holding. The Subject of Valuation holds 90% equity investment in Lask SZ, a company established in the PRC. The Lask SZ Group is principally engaged in provision of (i) property management services for residential, commercial and office premises in the PRC; (ii) cleaning services; (iii) security services; and (iv) horticulture services and are currently providing services to premises with a total contracted GFA of approximately 60 million sq.m..

Lask SZ currently possesses the following licenses and permits that are pre-requisites for and/or relevant to its principal operations, including but not limited to: national grade 1 property services qualification; cleaning service provider grade A certificate; security services license; and professional grade A stone material maintenance qualification.

VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain a business, business ownership interest, security, or intangible asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Market Approach

The market approach provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable (that is similar) subjects for which price information is available.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximates to one another.

Income Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

Selected Valuation Approach**Methodology Analysis****Reason for Applying or not Applying**

Cost Approach is Rejected

- The Subject of Valuation is directly income-generating and have stable revenue streams, making Market Approach or Income Approach feasible.
- The Subject of Valuation have managed a large property management portfolio which cannot be easily replaced or reproduced from its unique nature.

Market Approach is Accepted

- The market approach refers to the market indication of valuation based on public information available to all market participants. Compared to the income approach, the market approach makes less reliance on management assumptions but more on market expectations. For the Subject of Valuation, it is more appropriate to use the market approach which reflects the market participant's assessment without material management assumptions.
- There are sufficient Guideline Publicly-traded Comparable companies ("**Comparable Companies**") available in the market which facilitate a meaningful comparison and provide inputs for determining the valuation multiple. As such, the Guideline Publicly-traded Comparable ("**GPTC**") Method under the Market Approach is applied and considered as appropriate and reliable. Further explanations are made under the section "APPLICATION OF MARKET APPROACH".

Income Approach is Rejected

- There is significant uncertainty regarding the amount and timing of future income-related to the subject asset.
- The Company does not have access to the financial forecasting and budgeting of the Subject of Valuation for valuation purpose, which makes Income Approach not feasible.

GENERAL ASSUMPTIONS

A number of general assumptions were established to sufficiently support our conclusion of valuation. The general assumptions adopted in this valuation are:

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Subject of Valuation currently operates in and in new markets that the Subject of Valuation may potentially expand into as proposed by Management;
- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;
- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Subject of Valuation;
- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Subject of Valuation operates in or the Subject of Valuation may potentially operate in;
- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Subject of Valuation under the normal course of business;
- The Subject of Valuation will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and
- Trademarks, patents, technology, copyrights and other valuable technical and management know-how will not be infringed in countries/regions where the Subject of Valuation is or will be carrying on business.

APPLICATION OF MARKET APPROACH**Principle of Market Approach**

Under the Market Approach, the value of the Subjects of Valuation can be determined based on its (i) Most Recently Traded or Transacted Prices, (ii) GPTC Method and, (iii) Comparable Transactions Method. The three valuation methods under the Market Approach are further discussed and selected below.

Recent Traded or Transacted Prices

Recent Traded or Transacted Prices of the exact same subject asset can provide the most objective indication of value or valuation multiple of the subject asset. Reliance on recent prices is the most intuitive way of price discovery in the marketplace under ordinary situations. The method is usually applied to value publicly traded companies and private companies with recent funding rounds on an arm's length basis. Apart observing the traded and transacted prices, further analyses on market activity have to be carried out to determine whether the subject asset can be purchased or sold in the same manner as the observed recent trades and transaction in the current marketplace.

Guideline Publicly-traded Comparable Method

Under the GPTC Method, the value is derived from last trading multiples of a selected set of Guideline Publicly-traded Comparable companies ("**Comparable Companies**"). Trading multiples, which are measures of relative value, are computed by dividing the market capitalisations (or sometimes enterprise value) of the Comparable Companies by some identified value-driving economic variable(s) observed or calculated from their latest published fundamental data, being typically their financial metrics (such as revenue, earnings before interests and taxes, net profit, book equity) or other industry-specific value drivers as at the Valuation Date. A typical challenge in applying the GPTC Method is to identify a sufficient pool of relevant and sufficient Comparable Companies that are comparable to the Subject of Valuation in terms of their business models, underlying business risks and prospects.

Comparable Transactions Method

The Comparable Transactions (“GT”) Method drives value from observing the acquisition multiples at which sizable stakes of the similar companies were transacted between independent and informed willing buyers and sellers. Similar to the GPTC Method, the GT Method determines the acquisition multiples from dividing the considerations transferred in comparable acquisitions by the relevant value-driving financial or industry-specific indicators. Application of GT Method is typically subject to further limitations:

- Limited occurrence of recent comparable transaction;
- Availability and quality of public disclosure on transaction between private investors; and
- Limited information on the arm’s length nature of the transaction.

Concluded Method under the Market Approach

Given the above considerations, we have only accepted the Guideline Publicly Traded Comparable Method. The following exhibit elaborates our selection and rejection reasons of the 3 methods under the Market Approach.

Summary of Selected Methods and Reasons

Methods under Market Approach	Application	Reasons
Recent Traded or Transacted Prices	Rejected	No reliable recent trades and transaction identified.
GPTC Method	Accepted	A reliable pool of Comparable Companies identified with sufficient and reliable financial data disclosed.
GT Method	Rejected	No Reliable pool of comparable transaction identified with sufficient and reliable financial data disclosed.

Under the GPTC Method, value of the Subject of Valuation is determined based on its comparable peers’ trading multiples. This principle is addressed by the valuation method to be discussed below.

Selection of the Valuation Metrics

Based on the latest financial information, the Subject of Valuation has suffered from a net loss for the year ended 31 December 2023, which makes the earnings multiples (e.g. price-to-earnings) not feasible. As such, the remaining most relevant and reliable financial metrics is its revenue, and thus the corresponding valuation multiple selected is the price-to-sales (“P/S”) ratio. The enterprise value multiples are not considered as they are primarily used in valuing capital intensive business (i.e. industry with underlying asset heavily invested and typically funded by various levels of external debt).

P/S ratio is a widely used valuation multiple for valuing a company with stable revenue streams yet negative earnings. The property management sector of the Subject of Valuation is well-established and well expected to generate stable revenue, the P/S ratio of similar companies can provide insights on how the market perceives the growth potential of business with similar nature.

Selection of the Comparable Companies

The application of the GPTC Method depends on the selection of the Comparable Companies that shared sufficient similarities to underlying business of the Subject of Valuation to provide meaningful comparisons. We exercised due care in the selection of the Comparable Companies by using multiple screening criteria in deciding whether or not the business model of a particular Guideline Public Company is relevant.

The Subject of Valuation is principally engaged in the property and commercial management sector, and revenue was generated from the PRC. Our selection criteria and a list of the selected 34 Comparable Companies have been discussed as follows.

In selecting the Comparable Companies, we considered multiple screening criteria, including but not limited to, business description of the potential companies, in terms of lines of business by segments, primary operating location, size of the property management portfolio, operating and financial performance. To determine a representative set of Comparable Companies to derive the valuation result, we performed our comparable search based on the following processes in the selection of the Comparable Companies.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

The selection is mainly based on the searching through Bloomberg terminal and online searching. Criteria are set to ensure similarity between the Comparable Companies and the Subject of Valuation as follow:

- Principal business: Engaged in property management business (more than 50% revenue);
- Principal location of operation: main business is operated in the PRC (largest revenue by location); and
- Gross Floor Area under management: less than 100 million square meters (based on latest available information) to match with Subject of Valuation's business scale.

We have initiated our comparable search based on the above selection criteria. A pool of 34 related companies that are operating in similar principal activity, location of operation and comparable service scale as the Subject of Valuation were identified. We consider the list of Comparable Companies is exhaustive based on our research and selection criteria on a best-effort basis. The comparable pool has represented a complete comparable pool sufficient to form a fair and reasonable valuation opinion. The following list shows the Comparable Companies that we have identified in connection with this valuation.

#	Company Name & Ticker	Company Description
1	Zhenro Services Group Ltd (6958 HK)	Zhenro Services Group Limited operates as a comprehensive property management service provider. The Company offers residential property management services, non-residential property management services, and other services. Zhenro Services Group provides services in China.
2	Roiserv Lifestyle Services Co Ltd (2146 HK)	Roiserv Lifestyle Services Co., Ltd. provides property management services. The Company manages residential and non-residential properties. Roiserv Lifestyle Services serves customers in China.
3	Zhong Ao Home Group Ltd (1538 HK)	Zhong Ao Home Group Limited is an independent property management company in China. The Company provides property developers and owners with management services to residential properties. Zhong Ao Home Group also offers sales assistance by deploying on-site staff.

#	Company Name & Ticker	Company Description
4	Yincheng Life Service Co Ltd (1922 HK)	Yincheng Life Service CO., Ltd. offers property management services. The Company manages residential properties, government facilities, financial institutions, property sales offices, parks, and other facilities. Yincheng Life Service also provides life community value added services.
5	Excellence Commercial Property & Facilities Management Group Ltd (6989 HK)	Excellence Commercial Property & Facilities Management Group Limited provides commercial property management services. The Company offers property management services for office buildings, residential apartments, and other building. Excellence Commercial Property & Facilities Management Group provides services in Hong Kong.
6	First Service Holding Ltd (2107 HK)	First Service Holding Limited provides green property management services and green living solutions. The Company offers comprising cleaning, security, gardening and repair and maintenance, energy operation services, green technology consulting services, parking space management services, and more. First Service Holding conducts businesses in China.
7	Dowell Service Group Co Ltd (2352 HK)	Dowell Service Group Co. Limited offers estate services. The Company provides property management and property value-added services. Dowell Service Group conducts businesses in Chongqing and Hong Kong.
8	Jinmao Property Services Co Ltd (816 HK)	Jinmao Property Services Co., Limited provides property management and city operation services. The Company offers property management services, value-added services to non-property owners, and community value-added services. Jinmao Property Services conducts businesses in China.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

#	Company Name & Ticker	Company Description
9	Redsun Services Group Ltd (1971 HK)	Redsun Services Group Limited operates real estate businesses. The Company provides residential properties management, commercial properties management, non-property owners value added services, and other services. Redsun Services Group provides its services primarily in the Yangtze River Delta region.
10	Yuexiu Services Group Ltd (6626 HK)	Yuexiu Services Group Limited provides property management services. The Company offers building maintenance, security management, and other services. Yuexiu Services Group serves clients in China.
11	Hevol Services Group Co Ltd (6093 HK)	Hevol Services Group Co. Limited provides real estate services. The Company develops properties. Hevol Services Group serves customers in China.
12	Xinyuan Property Management Service Cayman Ltd (1895 HK)	Xinyuan Property Management Service (Cayman) Ltd. provides property management services. The Company offers cleaning and sanitation, safety and security, gardening, parking space management and facilities maintenance, utility fee payment, common area resources management, and other services. Xinyuan Property Management Service (Cayman) conducts business in China.
13	C&D Property Management Group Co Ltd (2156 HK)	C&D Property Development Group Co., Ltd operates as a property management services provider. The Company offers greening, gardening and order maintenance for public areas, cleaning, security, parking management, property decoration and furnishing, repair and maintenance services for public facilities. C&D Property Development Group conducts businesses in China.

#	Company Name & Ticker	Company Description
14	Binjiang Service Group Co Ltd (3316 HK)	Binjiang Service Group Co. Ltd. operates as a reputable property management service provider. The Company offers property management services including security, cleaning, gardening, repair, maintenance, and ancillary services to at residential and non-residential properties. Binjiang Service Group serves customers in China.
15	Financial Street Property Co Ltd (1502 HK)	Financial Street Property Co., Limited operates as a property management company. The Company provides customer services, security services, cleaning and gardening services, repair and maintenance services, and other services. Financial Street Property offers services in China.
16	Beijing Capital Jiaye Property Services Co Ltd (2210 HK)	Beijing Capital Jiaye Property Services Co., Limited provides property management services. The Company offers house management, house repair, house rental, and other services. Beijing Capital Jiaye Property Services property management consulting services.
17	Dexin Services Group Ltd (2215 HK)	Dexin Services Group Limited operates as a property management service provider. The Company provides high-end residential property management, commercial office property management, urban public construction property management, and other services. Dexin Services Group offers services in China.
18	Ronshine Service Holding Co Ltd (2207 HK)	Ronshine Service Holding Co., Ltd offers property management services. The Company provides diversified property management services for both residential and non-residential properties. Ronshine Service Holding provides its services throughout Hong Kong and mainland China.

#	Company Name & Ticker	Company Description
19	Kangqiao Service Group Ltd (2205 HK)	Kangqiao Service Group Limited operates as a property managements service provider. The Company provides security, cleaning, greening, gardening, repairs and maintenance services. Kangqiao Service Group offers services in China.
20	Landsea Green Life Service Co Ltd (1965 HK)	Landsea Green Life Service Company Limited operates as a property management service provider. The Company offers cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. Landsea Green Life Service provides services in China.
21	SCE Intelligent Commercial Management Holdings Ltd (606 HK)	SCE Intelligent Commercial Management Holdings Limited operates as a property management service provider. The Company provides residential property management services, commercial property management services, and other services. SCE Intelligent Commercial Management Holdings offers services in China.
22	Lushang Life Services Co Ltd (2376 HK)	Lushang Life Services Co., Ltd. provides comprehensive property management services. The Company offers property management for residential properties and non-residential properties. Lushang Life Services also offers value-added services to non-property owners like design, landscaping, pre-delivery services, and other services.
23	Huafa Property Services Group Co Ltd (982 HK)	Huafa Property Services Group Company Limited operates as a property management company. The Company offers property and facility management, design and engineering consulting, brand introduction, hotel advisory, events, and exhibition services. Huafa Property Services Group serves clients in Hong Kong and China.

#	Company Name & Ticker	Company Description
24	New Hope Service Holdings Ltd (3658 HK)	New Hope Service Holdings Limited provides property management services. The Company offers cleaning, security, greening and landscaping, repair and maintenance, and other services. New Hope Service Holdings also conducts market research, community living, and other services.
25	Ling Yue Services Group Ltd (2165 HK)	Ling Yue Services Group Limited operates as a property management company. The Company provides security services, cleaning and greening services, and repair and maintenance services. Ling Yue Services Group offers services in China.
26	Redco Healthy Living Co Ltd (2370 HK)	Redco Healthy Living Company Limited provides property management services. The Company offers property management services, value-added services to non-property owners, and community value-added services for office buildings, shopping street, and public facilities. Redco Healthy Living conducts businesses in China.
27	Fineland Living Services Group Ltd (9978 HK)	Fineland Living Services Group Limited is engaged in provision of professional property management services, real estate agency services and value-added services for residential and commercial properties in the People's Republic of China.
28	Ye Xing Group Holdings Ltd (1941 HK)	Ye Xing Group Holdings Limited provides property management services. The Company offers comprehensive property management and related services for residential and non-residential properties. Ye Xing Group Holdings provides services in China.
29	Sundy Service Group Co Ltd (9608 HK)	Sundy Service Group Co. Ltd operates as an integrated property management service provider. The Company offers security, cleaning, gardening, common facilities repair and maintenance services. Sundy Service Group provides services in China.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

#	Company Name & Ticker	Company Description
30	Orient Victory Smart Urban Services Holding Ltd (265 HK)	Orient Victory Smart Urban Services Holding Limited operates as an investment holding company. The Company through its subsidiaries, engages in property management and leasing, environmental hygiene, and travel development and operation businesses. Orient Victory Smart Urban Services Holding conducts businesses in Hong Kong.
31	Suxin Joyful Life Services Co Ltd (2152 HK)	Suxin Joyful Life Services Co., Ltd. offers property management services. The Company provides municipal infrastructure services, public facility management services, waste collection centers operation, and other services. Suxin Joyful Life Services provides its services throughout China.
32	Xingye Wulian Service Group Co Ltd (9916 HK)	Xingye Wulian Service Group Co. Ltd. operates as a property management service provide. The Company provides security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas, and customer services. Xingye Wulian Service Group also engages in intelligent engineering services including planning, design, and installation of security systems.
33	Desun Real Estate Investment Services Group Co Ltd (2270 HK)	Desun Real Estate Investment Services Group Co., Ltd. operates as an integrated property management services provider. The Company offers residential and non-residential property management services, and value-added services for property owners. Desun Real Estate Investment Services Group conducts businesses in China.
34	Riverine China Holdings Ltd (1417 HK)	Riverine China Holdings Limited operates as a property management company. The Company offers engineering, repair and maintenance, security, and cleaning and gardening services. Riverine China Holdings serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in China.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

Computation of the Valuation Multiple

Once we have identified the set of Comparable Companies and made necessary adjustments to their financial information, if any, the next step is to compute their P/S multiples on a reliable and consistent approach across all Comparable Companies.

#	Company Name & Ticker	P/S
1	Zhenro Services Group Ltd (6958 HK)	0.15
2	Roiserv Lifestyle Services Co Ltd (2146 HK)	0.35
3	Zhong Ao Home Group Ltd (1538 HK)	0.20
4	Yincheng Life Service Co Ltd (1922 HK)	0.24
5	Excellence Commercial Property & Facilities Management Group Ltd (6989 HK)	0.45
6	First Service Holding Ltd (2107 HK)	0.16
7	Dowell Service Group Co Ltd (2352 HK)	0.28
8	Jinmao Property Services Co Ltd (816 HK)	0.55
9	Redsun Services Group Ltd (1971 HK)	0.17
10	Yuexiu Services Group Ltd (6626 HK)	1.11
11	Hevol Services Group Co Ltd (6093 HK)	1.00
12	Xinyuan Property Management Service Cayman Ltd (1895 HK)	0.60
13	C&D Property Management Group Co Ltd (2156 HK)	1.22
14	Binjiang Service Group Co Ltd (3316 HK)	1.48
15	Financial Street Property Co Ltd (1502 HK)	0.52
16	Beijing Capital Jiaye Property Services Co Ltd (2210 HK)	0.28
17	Dexin Services Group Ltd (2215 HK)	2.05
18	Ronshine Service Holding Co Ltd (2207 HK)	0.22
19	Kangqiao Service Group Ltd (2205 HK)	0.52

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

#	Company Name & Ticker	P/S
20	Landsea Green Life Service Co Ltd (1965 HK)	0.10
21	SCE Intelligent Commercial Management Holdings Ltd (606 HK)	0.73
22	Lushang Life Services Co Ltd (2376 HK)	0.37
23	Huafa Property Services Group Co Ltd (982 HK)	0.75
24	New Hope Service Holdings Ltd (3658 HK)	0.68
25	Ling Yue Services Group Ltd (2165 HK)	0.28
26	Redco Healthy Living Co Ltd (2370 HK)	0.66
27	Fineland Living Services Group Ltd (9978 HK)	0.07
28	Ye Xing Group Holdings Ltd (1941 HK)	0.18
29	Sundy Service Group Co Ltd (9608 HK)	2.18
30	Orient Victory Smart Urban Services Holding Ltd (265 HK)	1.14
31	Suxin Joyful Life Services Co Ltd (2152 HK)	0.90
32	Xingye Wulian Service Group Co Ltd (9916 HK)	0.51
33	Desun Real Estate Investment Services Group Co Ltd (2270 HK)	1.86
34	Riverine China Holdings Ltd (1417 HK)	0.15

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

The summary statistics of the derived P/S multiples from Comparable Companies is listed as follows.

As at 31 December 2023	P/S
Number of valid comparable	34
High	2.18
Upper quartile (“UQ”)	0.86
Mean	0.65
Median	0.52
Lower quartile (“LQ”)	0.23
Low	0.07
Standard deviation	0.56
Coefficient of variance	<u>0.87</u>

Determination of Valuation Result

The Comparable Companies are sufficiently comparable to the Target Company based on the screening criteria, including business nature and lines of business by segments, primary operating locations, size of their property management portfolios (in terms of gross floor area under management), from a valuation perspective. As such, all the 34 Comparable Companies are included in the sample statistics.

The Subject of Valuation suffers a net loss in the trailing 12 months, with a net profit margin of -0.8%. Its net profit margin is below the lower quartile of the net profit margin of Comparable Companies. In terms of sales growth, the Subject of Valuation has an approximately -1.9% annual sales growth, which is below the lower quartile of the sales growth among the Comparable Companies. These 2 financial indicators suggested that the Subject of Valuation is underperforming the average or median market peer, however its 2023 sales growth (-0.8%) is reasonably close to the lower quartile (+0.2%) and its 2023 net profit margin (-0.8%) is reasonably close to the lower quartile (1.3%). The proposed average annual profit guarantee of RMB 4.5 million has also indirectly implied a guaranteed average net profit margin of 1.62% in the short 3-year horizon, which is slightly higher than the lower quartile 1.3%. We thus concluded that the adoption of lower quartile is fair and reasonable, compared to mean or median. The financial indicators of Comparable Companies are shown as below:

As at 31 December 2023	Sales Annual Growth	Rate Net Profit Margin
High	77.4%	20.6%
Upper quartile (“UQ”)	17.8%	11.5%
Median	9.1%	6.4%
Lower quartile (“LQ”)	0.2%	1.3%
Low	-26.0%	-14.4%

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

The valuation of Market Value of the Subject of Valuation as at the Valuation Date is summarized as follow:

Selected Multiple		P/S
Adopted multiple (rounded)	LQ	0.23x
Consolidated revenue of the Subject of Valuation		<u>278,464,673</u>
Estimated unadjusted equity valuation		64,046,875
Less: Discount for lack of marketability (“ DLOM ”)	-22.0%	<u>(14,090,312)</u>
Market Value of the Subject of Valuation (rounded)		<u><u>49,957,000</u></u>

DISCOUNT FOR LACK OF MARKETABILITY

A DLDM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLDMs may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

In this case, we have made reference to the Pluris DLDM database. The Pluris DLDM is managed by ValuSource[®], a well-known and reputable data and software service provider for Business Valuation. According to ValuSource[®]'s website, the database is being updated quarterly. The data adopted from Pluris DLDM Database was up to Nov 2023, which was the best available information as of the Valuation Date.

The Pluris DLDM database can better reflect the DLDM specific to a particular sector. This is particularly useful if we are referring to a sector (PRC real estate sector and related sectors) which has a high uncertainty on marketability depending on the target's financial position. The Pluris DLDM is mainly composed of two elements, which are Restricted Stock Equivalent Discount (“**RSED**”) and Private Equity Discount Increment (“**PEDI**”).

RSED represents an illiquid position that does not directly relate to the lack of marketability of a privately held business. It is calculated based on the average discount of trading restricted stocks. We have mainly selected companies with SIC Code started with 65, representing the real estate sector, to better reflect the discount within the same industry of the Subject of Valuation.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

PEDI is calculated by comparing the discounts associated with the largest block transaction (presumed to be the least liquid) to the average and median discount indications of all the transaction in the Pluris database. It is applied when the Subject of Valuation is a private company instead of a public company issuing restricted stock.

According to the Pluris DLOM database, PEDI was derived from RSED. As the RSED was calculated from the filtered industry data with SIC code 65. Therefore, no further filtering was required in the calculation of PEDI.

The Pluris DLOM database has outputted an effective DLOM of 22.0%. This conclusion from Pluris DLOM is considered more prudent and relevant for the subject valuation than the empirical results from other commonly quoted generic research study. Hence, we have adopted the DLOM 22.0%.

STATEMENT OF LIMITING CONDITIONS

This valuation report relies upon the following contingent and limiting conditions:

1. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.
2. The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.
3. All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.
4. Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.
5. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Subject of Valuation or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.
6. The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.
7. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

APPENDIX I VALUATION REPORT ON THE TARGET COMPANY

8. The opinion of value expressed in this report does not obligate us attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.
9. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.
10. This report is valid only for the date specified herein.

CONCLUSION OF VALUE

In conclusion, based on the analyses as fully described in this valuation report and the valuing methodologies which we have employed, we are of the opinion that the Market Value of the Subject of Valuation as at 31 December 2023 is as follows.

Subject of Valuation	Valuation Result
Market Value of 100% Equity Interest in Lask JV Facility Management Services Limited	<u><u>RMB49,957,000*</u></u>

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to the any of the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,

For and on behalf of

VALTECH VALUATION ADVISORY LIMITED

* On a minority per-share basis for minority pricing purpose

INVOLVED STAFF BIOGRAPHY**Jimmy Wong, CPA, CFA, FRM, MFin, ABV (AICPA)**

Jimmy has provided professional valuation and related consulting service to his clients for over 12 years. Before joining Valtech Valuation, he has accumulated experience on independent valuations and related party pricing services from a renowned appraisal firm and the consulting team of one of the Big 4 accounting firms. Jimmy addresses an extensive array of valuation needs, from statutory reporting on portfolio valuation for investment funds, IFRS financial reporting for listed and privately owned entities, and state-owned enterprises, initial public offerings, merger & acquisition, strategic restructuring, fund raising, to expert witness in high court and tax compliance purposes.

Jimmy has served clients from a wide industry spectrum from the public and private domain. His industry exposure primarily covers the technology and social media, clean energy, financial services, consumer and industrial, utility and infrastructure, forestry and agriculture, and mining sectors. Mr. Wong was inducted as a Lifetime member of the Beta Gamma Sigma Honour Society.

Matthew Leung, CPA, CFA, FRM

Mr. Leung has over nine years' experience in valuation of both business and intangibles assets. He is experienced in providing valuation and business consulting services for public and private companies for financial reporting, tax, litigation support, merger and acquisitions purposes. He is also experienced in intangible asset valuation including customer relationship, trademark, franchise agreement, mining right and technological patent.

His industry exposure covers consumer and industrial products, real estate, technology and media, alternative energy, financial services, utility and infrastructure, forestry, gaming and mining sectors. The clients of his engagements cover both private and listed companies located in China and Hong Kong.

Bobby Zhu

Bobby Zhu has valuation experiences in various industries including but not limited to clean energy, manufacturing, utility and infrastructure, mining, etc. Prior to joining Valtech Valuation, he worked in another sizeable valuation firm where he participated in many business valuation projects to support clients for the purpose of financial reporting, mergers and acquisitions. He has also gained experience in performing valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. Earlier to that, he worked as Corporate Financial analyst in Sony and Dell and Corporate Auditor in Natuzzi China. Bobby earned his Financial Management Degree from Shanghai University of Finance & Economics.

Felix Yam

Mr. Yam completed his Finance Degree at the Hong Kong University of Science and Technology. Since joining Valtech Valuation, he gained exposure in various industries including but not limited to clean energy, financial services, social media, retail, catering, etc. He is experienced in providing valuation services for public and private companies of China and Hong Kong for the purpose of financial reporting, mergers and acquisitions, etc.

GENERAL SERVICE CONDITIONS

The service(s) we provide will conform to the professional appraisal standard. The proposed service fee is not contingent in any way upon our conclusions of value or result. All the data provided to us is assumed to be accurate without independent verification. As an independent contractor, we have and will reserve the right to use subcontractors. Furthermore, we have the right to retain all files, working papers or documents developed by us during the engagement for as long as we wish, which will also be our property.

The report we prepare is prohibited for any other use but only for the specific purpose stated herein. No reliance may be made by any third party on the report or part thereof without our prior written consent. The report along with this General Services Conditions could be shown to the third parties who need to review the information contained herein.

No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including all fees of lawyers, including ours and the parties successfully suing us, to which we may become subject in connection with this engagement except in respect of our own negligence. Your obligation for indemnification and reimbursement shall extend to any of our management and employees, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of the nature of the claim, such liability will be limited to the amount of fees we received for this engagement.

We will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative processes or proceedings. Meanwhile, we reserve the right to include your company/firm name in our client list.

The conditions stated in this section can only be modified by written documents executed by both parties.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(i) Long positions in shares and underlying shares of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) 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 have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix C3 to the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the shares of the Company

Name of Director	Capacity/nature of interest	Number of Shares/ underlying shares held/ interested in	Approximate percentage of interest in the Company
Ng Sing Mui	Interest of a controlled corporation; Settlor of a discretionary trust ^(Note 1)	432,000,000	72%
Sze Tan Nei	Beneficiary of a discretionary trust ^(Note 2)	432,000,000	72%
Sze Wai Lun	Beneficiary of a discretionary trust ^(Note 3)	432,000,000	72%
Ang Ming Wah	Beneficial owner ^(Note 4)	64,000	0.01%

Long positions in the ordinary shares of the Company's associated corporation

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares held/ interested in	Percentage of interest
Ng Sing Mui	Sze's Holdings Limited	Interest of a controlled corporation; Settlor of a discretionary trust	1	100%
	Rich Cheer Development Limited	Beneficial owner	1	100%
Sze Tan Nei	Sze's Holdings Limited	Beneficiary of a discretionary trust	1	100%
Sze Wai Lun	Sze's Holdings Limited	Beneficiary of a discretionary trust	1	100%

Notes:

- All the 432,000,000 Shares are beneficially owned by Sze's Holdings Limited, which is in turn held by Rich Cheer Development Limited acting as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust set up by Madam Ng as settlor and Rich Cheer Development Limited as trustee on 8 January 2015. The beneficiaries of the Sze Family Trust include, *inter alia*, Mr. Sze Wai Lun and Ms. Sze Tan Nei. Madam Ng is the settlor of the Sze Family Trust and the sole director of Sze's Holdings Limited and therefore Madam Ng is deemed or taken to be interested in all the 432,000,000 Shares beneficially owned by Sze's Holdings Limited for the purposes of the SFO. Madam Ng is also the sole director and shareholder of Rich Cheer Development Limited.
- Ms. Sze Tan Nei is the daughter of Madam Ng. Ms. Sze Tan Nei is one of the beneficiaries of the Sze Family Trust and therefore she is deemed or taken to be interested in all the 432,000,000 Shares beneficially owned by Sze's Holdings Limited for the purposes of the SFO.
- Mr. Sze Wai Lun is the son of Madam Ng. Mr. Sze Wai Lun is one of the beneficiaries of the Sze Family Trust and therefore he is deemed and taken to be interested in all the 432,000,000 Shares beneficially owned by Sze's Holdings Limited for the purposes of the SFO.
- Mr. Ang Ming Wah is interested in 64,000 Shares which may be allotted and issued to him upon full exercise of all options granted to him under the pre-IPO share option scheme of the Company which was approved and adopted on 21 February 2017.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware that there was any person (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and was recorded in the register kept by the Company pursuant to section 336 of the SFO.

(ii) **Substantial Shareholders'/Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company**

As at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity/nature of interest	Number of Shares held/interested in	Percentage of interest in the Company
Sze's Holdings Limited	Beneficial owner	432,000,000	72%
Rich Cheer Development Limited	Interest of controlled corporation as the trustee of the Sze Family Trust <i>(Note)</i>	432,000,000	72%

Note:

The entire issued share capital of Sze's Holdings Limited is held by Rich Cheer Development Limited as the trustee of the Sze Family Trust. The Sze Family Trust is a discretionary trust established by Madam Ng. The beneficiaries of the Sze Family Trust include, *inter alia*, Mr. Sze Wai Lun and Ms. Sze Tan Nei. By virtue of the provisions of Part XV of the SFO, Rich Cheer Development Limited is deemed or taken to be interested in all the Shares beneficially owned by Sze's Holdings Limited.

Save as disclosed above, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have 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 each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.

3 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

4 DIRECTORS' INTEREST IN CONTRACTS, ARRANGEMENTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5 COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6 EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Red Sun Capital Limited	a licensed corporation 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 for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
Valtech Valuation Advisory Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with its respective letter included or references to its name in the form and context in which it is included.

As at Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at Latest Practicable Date, the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

7 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were not any material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8 GENERAL

- (a) The company secretary of the Company is Mr. Tse Kam Fai. Mr. Tse is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The head office and principal place of business in Hong Kong of the Company is at Unit 1926, 19/F, Global Plaza, 1 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.
- (d) The address of the Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9 DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective website of the Company (www.winsongroup.hk) and the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Board dated 31 July 2024, the text of which is set out on pages 5 to 18 of this circular;
- (c) the letter of recommendation from the Independent Board Committee dated 31 July 2024, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 31 July 2024, the text of which is set out on pages IFA-1 to IFA-31 of this circular;
- (e) the valuation report of the Target Company prepared by Valtech Valuation Advisory Limited dated 31 July 2024, the text of which is set out in Appendix I to this circular; and
- (f) the consent letters referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Winson Holdings Hong Kong Limited (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 20 August 2024 at 10:30 a.m. (or immediately after the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same venue, whichever is later), to consider, if thought fit, pass with or without modifications the following as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 7 June 2024 entered into among Lask JV Holding Co. Ltd., Perma Growth Investment Limited and Lask JV Facility Management Services Limited (the “**Sale and Purchase Agreement**”) (a copy of which has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transaction contemplated thereunder and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the “**Director(s)**”) may consider necessary, desirable or appropriate; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Sale and Purchase Agreement and any ancillary documentation and the transaction contemplated thereunder.”

By Order of the Board
Winson Holdings Hong Kong Limited
Ng Sing Mui
Chairperson and Executive Director

Hong Kong, 31 July 2024

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

Cricket Square,
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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

Unit 1926, 19/F
Global Plaza
1 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares in the Company (the “Shares”) may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the “**Branch Share Registrar**”) of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof) by 10:30 a.m. on Sunday, 18 August 2024 or not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).
4. The register of members of the Company will be closed from Thursday, 15 August 2024 to Tuesday, 20 August 2024 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at the above address by no later than 4:30 p.m. on Wednesday, 14 August 2024.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The Company reminds all shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Meeting as their proxy to vote on the relevant resolutions at the Meeting instead of attending the Meeting in person, by completing and return the form of proxy.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. If any shareholder chooses not to attend the Meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to the head office and principal place of business in Hong Kong of the Company or by fax at (852) 2751 6681. If any shareholder has any question relating to the Meeting, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

8. This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.

As at the date hereof, the executive Directors are Madam Ng Sing Mui, Ms. Sze Tan Nei, Mr. Ang Ming Wah and Mr. Sze Wai Lun; and the independent non-executive Directors are Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan and Mr. Chan Chun Sing.