



30 September 2022

To the Independent Board Committee and the Independent H Shareholders

Dear Sirs,

**(1) PROPOSED CONDITIONAL PRIVATISATION
OF THE COMPANY
BY THE OFFEROR BY WAY OF MERGER BY ABSORPTION
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent H Shareholders in respect of the terms of the Merger Agreement and whether they are fair and reasonable and the voting of which, particulars of which are set out in the Composite Document despatched to the H Shareholders dated 30 September 2022, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them in the Composite Document.

The Offeror and the Company jointly announced that on 8 August 2022, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Conditions. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws and the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered following completion of the applicable deregistration filing with SAIC.

As at the Latest Practicable Date, (i) the relevant securities of the Company in issue are 1,233,144,000 Shares, which comprise 308,352,000 H Shares and 924,792,000 Domestic Shares; and (ii) the Offeror does not own any Share. Mr. Chen and Mrs. Chen, together with EVOC Hi-Tech and Shenzhen Haoxuntong, all being parties acting in concert with the Offeror, are interested in 924,792,000 Domestic Shares, representing all of the Domestic Shares in issue and approximately 74.99% of the total issued Shares in the Company.

The Merger Agreement is subject to the satisfaction of the conditions (none of which is capable of being waived) (the “**Conditions to Effectiveness**”) by the Long-stop Date including (i) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws; and (ii) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders’ Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

After the Merger Agreement becomes effective upon satisfaction of all the Conditions to Effectiveness, the implementation of the Merger shall be subject certain conditions (the “**Conditions to Implementation**”, together with the Conditions to Effectiveness, collectively, the “**Conditions**”, e.g. there being no error or omission of the representations and warranties given by the parties to the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger, compliance with respective undertakings under the Merger Agreement and there being no law, restriction or prohibition of any governmental authority, or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger, and all the required approval, filing or report (as applicable) having been obtained or completed) being satisfied or waived, as applicable. For details of the Conditions, please refer to the Letter from the Board.

Pursuant to the Merger Agreement, the Offeror will pay the Cancellation Price in the amount of: (i) HK\$1.75 per H Share to the H Shareholders in cash to cancel the H Shares held by the H Shareholders; and (ii) RMB1.5091475 per Domestic Share, which is equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (namely (a) EVOC Hi-Tech (equity interests of which are owned as to 70.5% by Mr. Chen and 29.5% by Mrs. Chen); and (b) Shenzhen Haoxuntong (equity interests of which are owned as to 100% by Mr. Chen), which in aggregate held all the Domestic Shares in issue and all being parties acting in concert with the Offeror as at the Latest Practicable Date), which will be satisfied through the issuance of registered capital of the Offeror to the Domestic Shareholders. Further details of the terms and conditions of the Merger are set out in the Composite Document.

The Offeror will not increase the Cancellation Price as set out above, and the Offeror does not reserve the right to do so.

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or other Consenting Shareholders to acquire its Shares at a “fair price”. If any Dissenting Shareholder exercises its right, the Offeror will, if so requested by the Company and/or the Consenting Shareholders, assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a “fair price”. The exercise of its right by a Dissenting Shareholder is subject to the criteria (i) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and (if

applicable) the H Shareholders' Class Meeting; (ii) such Dissenting Shareholder having been validly registered as a shareholder on the share register of the Company since the record date for the EGM and (if applicable) the H Shareholders' Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and (iii) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if (i) such Shareholder has undertaken to the Company to waive its right; (ii) such Shareholder is prohibited from exercising its right in accordance with applicable laws; and (iii) any Share held by such Shareholder is subject to a pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval from the relevant pledgee, third party or competent authority.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Wu Yan Nan, Ms. Li Qian and Ms. Xu Hai Hong, each an independent non-executive Director, who have no direct or indirect interest in the Merger and the withdrawal of listing of the Company on the Stock Exchange, has been established by the Company to make recommendation to the Independent H Shareholders as to: (i) whether the terms of the Merger Agreement are fair and reasonable for the purpose of the Takeovers Code; and (ii) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. We, Sorrento Capital Limited, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in respect of the Merger.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the management of the Group, the Directors, and/or the Offeror were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the management of the Group and the Directors regarding the Group and the Merger, including the information and representations contained in the Composite Document. We have assumed that (i) all such statements, information, opinions and representations expressed to us by the Directors and management of the Company, for which they are solely responsible, are true, accurate and complete in all material aspects at the time they were made and up to the Latest Practicable Date; and (ii) all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. If there is any material change of information in the Composite Document (including this letter of advice) up to the date of the H Share Class Meeting and the EGM, we will inform the Shareholders as soon as practicable. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the

information supplied. We have not considered the tax and regulatory implications on the H Shareholders as regards the Merger since these are particular to their own individual circumstances. In particular, the Independent H Shareholders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Merger and, if in any doubt, should consult their own professional adviser. Shareholders will be notified as soon as possible of any material change on the information contained in this letter after the Latest Practicable Date throughout the Offer Period.

We are independent from and not connected with the Company, the Offeror or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the last two years, we have not been engaged as any financial adviser to the Company. Accordingly we considered ourselves suitable to give independent advice to the Independent Board Committee and the Independent H Shareholders in respect of the Merger.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering the fairness and reasonableness of the terms of the Merger Agreement, we have taken into account the principal factors and reasons set out below:

(i) Review of financial position/performance of the Group

The Group is principally engaged in two business segments, namely (i) the research, development, manufacturing and distribution of special computer products and the trading of electronic accessories; and (ii) the sales of development properties in the PRC.

Set out below is a summary of the consolidated financial information on the Group for (i) each of the three years ended 31 December 2021 as extracted from the annual reports of the Company for the year ended 31 December 2020 (the “2020 Annual Report”) and 2021 (the “2021 Annual Report”, collectively the “Annual Reports”); and (ii) the six months ended 30 June 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022 (the “2022 Interim Report”).

	For the six months ended		For the year ended		
	30 June		31 December		
	2022	2021	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	326,356	360,937	1,296,192	1,544,536	1,688,153
Cost of sales	<u>(276,145)</u>	<u>(310,454)</u>	<u>(729,287)</u>	<u>(976,343)</u>	<u>(1,224,954)</u>
Gross profit	50,211	50,483	566,905	568,193	463,199
Other income	136,647	146,551	295,536	343,613	328,279
Selling and distribution costs	(18,791)	(16,104)	(45,460)	(48,116)	(46,107)
Administrative expenses	(41,333)	(44,848)	(152,724)	(135,715)	(144,456)
Other Operating expenses (Note)	(6,606)	(7,412)	(32,654)	(27,975)	(31,484)
Research and development costs (Note)	(34,990)	(32,574)	(228,884)	(266,177)	(146,601)
Fair value gain/(loss) on investment properties	—	—	2,803	(21,239)	17,718
Fair value gain on transfer of properties held for sale to investment properties	—	—	1,202	367	220
Finance costs	(76,431)	(85,322)	(170,621)	(162,995)	(127,055)
Share of loss of an associated company	(2,110)	—	(684)	—	—
Income tax expenses	<u>(1,035)</u>	<u>(1,436)</u>	<u>(69,239)</u>	<u>(39,418)</u>	<u>(50,559)</u>
Profit for the year/period attributable to owners of the Company	<u>5,562</u>	<u>9,338</u>	<u>166,180</u>	<u>210,538</u>	<u>263,154</u>

Note: Other operating expenses and research and development costs are separately presented since 2021 Annual Report.

Source: The Annual Reports and the 2022 Interim Report

Since the turnover of the Group was contributed by different products, we have further analysed them and set out below are the breakdown of turnover by product type of the Group during each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 respectively.

Product type	Turnover contribution by product type				
	for the six months ended		for the year ended		
	30 June		31 December		
	2022	2021	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Special computer products	223,121	224,240	813,785	650,511	529,268
Mobile phones and accessories	77,303	111,537	282,552	668,913	847,487
Chemical products	—	—	—	—	72,343
Properties	25,932	25,160	199,855	225,112	239,055
Total turnover	<u>326,356</u>	<u>360,937</u>	<u>1,296,192</u>	<u>1,544,536</u>	<u>1,688,153</u>

Source: The Annual Reports and the 2022 Interim Report

Comparison for the six months ended 30 June 2022 versus the six months ended 30 June 2021

During the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB326.4 million as compared with that of approximately RMB360.9 million for the six months ended 30 June 2021 mainly due to the decrease in the sales of mobile phones and accessories by approximately 30.7%. According to the 2022 Interim Report, as a result of the continued impact of the COVID-19 epidemic, particularly the epidemic in Shanghai, the PRC economy was affected to varying degrees, with slowed down production and operating activities, significantly decreased fixed asset investment and reduced business orders from certain domestic customers, directly resulting in the continued reduction in demand in the special computer market. Although the tight raw materials market has eased, the price of raw materials remained high, and the increased stockpiles in response to the changes in the raw materials market have increased the Company's operating costs. Furthermore, as the China-U.S. conflict continues, the export restrictions on certain semiconductor devices and industrial design software originated from the U.S. have not been eased, resulting in the continuing risks of availability and prices of imported raw materials for special computers. With the increase of uncertainties in the international trade and diplomatic environment, there has been a lack of incentive to upgrade fixed assets, which reduced the market demand for special computer products, resulting in a serious impact on both internal and external sales of the products. Nevertheless, the Company recorded an overall gross profit margin of approximately 15.4% for the six months ended 30 June 2022 which is slightly higher than approximately 14.0% for the six months ended 30 June 2021 mainly due to control of raw material costs.

Special computer products continued to be the largest contributor of the Group's turnover for the six months ended 30 June 2022 which represented approximately 68.4% of the total turnover of the Group for the period and is slightly less than the level for the six months ended 30 June 2021. We have reviewed a sales breakdown of special computer products for the first half of 2022 and 2021 and noted that turnover of special computer products applicable to information security and communication and trading have shown significant increase but such increase were offset by decrease in sales of special computer products applicable in other industries such as environmental protection, railway and transportation.

Turnover from the sales of mobile phones and accessories decreased significantly by approximately 30.7% during the six months ended 30 June 2022 as compared to the same period in 2021. As advised by the Company, it was mainly due to decrease in sales of mobile phones, mobile phone cases/covers and tablet computers as the general market has been adversely affected by COVID-19 pandemic and the China-U.S. Conflict and certain major customers have reduced their orders.

Turnover from sales of properties were stable as to approximately RMB25.9 million for the six months ended 30 June 2022 and approximately RMB25.2 million for the six months ended 30 June 2021 respectively. As advised by the Company, sales of properties in Wuxi, Jiangsu Province, the PRC were relatively stable in the abovementioned period.

During the six months ended 30 June 2021 and the six months ended 30 June 2022, the Company did not conduct any trading business of chemical products as the Group occasionally conducted transactions to supply chemical products to a customer for its production of packing materials in second half of 2019.

Apart from the sales of properties, we also noted from other income of the Group that the Group recorded certain rental income from its investment properties. During the six months ended 30 June 2022, the Group recorded a net rentals (being gross rental less direct operating expenses arising from lease reimbursed from tenants) of approximately RMB45.2 million, representing a decrease of approximately 24.0% as compared to that of approximately RMB59.5 million in the same period in 2021 mainly due to the drop in rental income from property in Hangzhou, Zhejiang Province, the PRC as a result of continuous and ongoing impact of COVID-19 pandemic.

Selling and distribution costs of the Group increased by approximately 16.8% from approximately RMB16.1 million for the six months ended 30 June 2021 to approximately RMB18.8 million for the six months ended 30 June 2022 mainly due to increase in wages, welfare benefit and headcount of sales team.

Administrative expenses of the Group decreased by approximately 7.8% from approximately RMB44.8 million for the six months ended 30 June 2021 to approximately RMB41.3 million for the six months ended 30 June 2022 mainly due to decrease in wages, welfare costs and headcount of administrative staff.

Research and development costs of the Group slightly increased from approximately RMB32.6 million for the six months ended 30 June 2021 to approximately RMB35.0 million for the six months ended 30 June 2022 as the Group continued to make a certain proportion of investment to maintain the normal update and iteration of its existing product series as well as to develop software and to increase product series when appropriate.

Finance costs decreased from approximately RMB85.3 million for the six months ended 30 June 2021 to approximately RMB76.4 million for the six months ended 30 June 2022 mainly due to decrease in bank borrowings during the period.

As a result of the above, the Group recorded a profit for the period attributable to owners of the Company of approximately RMB5.6 million for the six months ended 30 June 2022 representing a decrease of approximately 40.4% as compared to the profit of approximately RMB9.3 million for the six months ended 30 June 2021.

Comparison for the year ended 31 December 2021 versus the year ended 31 December 2020

During the year ended 31 December 2021, the Group recorded a turnover of approximately RMB1.3 billion as compared with that of approximately RMB1.5 billion for the year ended 31 December 2020 mainly due to (i) decrease in the sales of mobile phones and accessories by approximately 57.8%; and (ii) decrease in the sales of properties by approximately 11.2%. The overall gross profit margin of the Group increased from approximately 36.8% for the year ended 31 December 2020 to approximately 43.7% for the year ended 31 December 2021 mainly due to sales increase and improvement of profit margin in special computer products. Nevertheless, as set out in the 2021 Annual Report, the global pandemic was still ongoing, and the China-U.S. conflict shows no sign of abating. Coupled with the Russia-Ukraine crisis, the extremely volatile international environment continued to exacerbate the shortage and price increase of semiconductors and related raw materials, bringing greater risks and challenges to the Chinese and global economies. The rising cost of raw materials has led to continuous cost increases in China's manufacturing industry, reducing the international competitive advantage of its manufacturing industry, which in turn caused unfavourable impact on the sales of special computers.

As advised by the Company, mobile phones and accessories sold by the Group were mainly mobile phones, tablet computers, parts and accessories and the decrease in sales of them for the year ended 31 December 2021 was mainly due to the decreased sales of tablets computers and parts and accessories as the general market has been adversely affected by COVID-19 pandemic and the China-U.S. Conflict and certain major customers have reduced their orders.

As regards the property segment of the Group, we have reviewed a breakdown of sales of properties of the Group and noted that such decrease in sales was mainly due to the decrease in sales of Kunshan Dianshan Lake Project located in Kunshan city, Jiangsu Province, the PRC.

During the year ended 31 December 2020 and the year ended 31 December 2021, the Company did not conduct any trading business of chemical products as the Group occasionally conducted transactions to supply chemical products to a customer for its production of packing materials in second half of 2019.

Apart from the sales of properties, we also noted from other income of the Group that the Group recorded certain rental income from its investment properties. During the year ended 31 December 2021, the Group recorded a net rentals (being gross rental less direct operating expenses arising from lease reimbursed from tenants) of approximately RMB152.0 million, representing a slight decrease of approximately 3.1% as compared to approximately RMB156.9 million in the prior year. As advised by the Company, such decrease was mainly due to the decrease in rental income from building in Hangzhou city, Zhejiang Province, the PRC.

Selling and distribution costs of the Group decreased by approximately 5.4% from approximately RMB48.1 million for the year ended 31 December 2020 to approximately RMB45.5 million for the year ended 31 December 2021 mainly due to decrease in wages, welfare benefit and headcount of sales team.

Administrative expenses of the Group increased by approximately 12.5% from approximately RMB135.7 million for the year ended 31 December 2020 to approximately RMB152.7 million for the year ended 31 December 2021 mainly due to the increase in wages and welfare costs of administrative staff.

Research and development costs of the Group decreased from approximate RMB266.2 million for the year ended 31 December 2020 to approximate RMB228.9 million for the year ended 31 December 2021 mainly due to less consumption of material parts.

Total fair value gain on investment properties and transfer of properties held for sale to investment properties was approximately RMB4.0 million for the year ended 31 December 2021 as compared to loss of approximately RMB20.9 million for the year ended 31 December 2020 mainly due to an increase in fair value of investment properties.

Finance costs increased from approximately RMB163.0 million for the year ended 31 December 2020 to approximately RMB170.6 million for the year ended 31 December 2021 mainly due to the increase of bank borrowings during the year.

As a result of the above, the Group recorded a profit for the year attributable to owners of the Company of approximately RMB166.2 million for the year ended 31 December 2021 representing a decrease of approximately 21.0% as compared to that of approximately RMB210.5 million for the year ended 31 December 2020.

Comparison for the year ended 31 December 2020 versus the year ended 31 December 2019

During the year ended 31 December 2020, the Group recorded a turnover of approximately RMB1.5 billion as compared with that of approximately RMB1.7 billion for the year ended 31 December 2019 mainly due to (i) decrease in the sales of mobile phones and accessories by approximately 21.1%; (ii) decrease in the sales of properties by approximately 5.8%; and (iii) absence of sales of chemical products. The overall gross profit margin of the Group increased from approximately 27.4% for the year ended 31 December 2019 to approximately 36.8% for the year ended 31 December 2020 mainly due to increase in turnover of higher profit margin in special computer products. Nevertheless, as set out in the 2020 Annual Report, the global pandemic remained uncertain, the dissemination of vaccine is limited, the China-U.S. trade condition continued stalemated, and the populism and protectionism were escalating. All of these have brought more risks and challenges to the Chinese and the global economies. The ongoing pandemic prevention and control measures of China tested the endurance of business entities, raised the costs and reduced the competitive edges of the manufacturing industry. With the lack of market confidence, the market sales of special computer would be adversely affected.

As advised by the Company, mobile phones and accessories sold by the Group were mainly mobile phones, tablet computers, parts and accessories and the decrease in sales of them for the year ended 31 December 2020 was mainly due to the decreased sales of mobile phones and mobile phone cases/covers as the general market has been adversely affected by COVID-19 pandemic and the China-U.S. Conflict and certain major customers have reduced their orders.

As regards the property segment of the Group, we have reviewed a breakdown of sales of properties of the Group and noted that such decrease in sales was mainly due to the decrease in sales of buildings located in Wuxi, Jiangsu Province, the PRC.

During the year ended 31 December 2020, the Company did not conduct any trading business of chemical products as the Group occasionally conducted transactions to supply chemical products to a customer for its production of packing materials in second half of 2019.

Apart from the sales of properties, we also noted from other income of the Group that the Group recorded certain rental income from its investment properties. During the year ended 31 December 2020, the Group recorded a net rentals (being gross rental less direct operating expenses arising from lease reimbursed from tenants) of approximately RMB156.9 million, representing a decrease of approximately 6.8% as compared to approximately RMB168.4 million in the prior year. As advised by the Company, such decrease was mainly due to decrease in rental income from buildings in Nanshan and Guangming, Shenzhen, the PRC.

Selling and distribution costs of the Group increased by approximately 4.3% from approximately RMB46.1 million for the year ended 31 December 2019 to approximately RMB48.1 million for the year ended 31 December 2020 mainly due to increase in wages and welfare benefit of sales team.

Administrative expenses of the Group decreased by approximately 6.1% from approximately RMB144.5 million for the year ended 31 December 2019 to approximately RMB135.7 million for the year ended 31 December 2020 mainly due to temporary reduction and exemption of enterprises' contributions under the relevant provisions of Social Insurance Law.

Research and development costs of the Group increased from approximate RMB146.6 million for the year ended 31 December 2019 to approximate RMB266.2 million for the year ended 31 December 2020 mainly due to significant products development in special computer.

Total fair value loss on investment properties and transfer of properties held for sale to investment properties was approximately RMB20.9 million for the year ended 31 December 2020 as compared to gain of approximately RMB17.9 million for the year ended 31 December 2019 mainly due to a decrease in fair value of investment properties.

Finance costs increased from approximately RMB127.1 million for the year ended 31 December 2019 to approximately RMB163.0 million for the year ended 31 December 2020 mainly due to the increase of bank borrowings during the year.

As a result of the above, the Group recorded a profit for the year attributable to owners of the Company of approximately RMB210.5 million for the year ended 31 December 2020 representing a decrease of approximately 20.0% as compared to that of approximately RMB263.2 million for the year ended 31 December 2019.

We have further summarised below the audited consolidated statements of financial positions of the Company as at 31 December 2019, 31 December 2020 and 31 December 2021 and the unaudited consolidated statements of financial positions of the Company as at 30 June 2022 respectively:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)	As at 31 December 2020 RMB'000 (audited)	2019 RMB'000 (audited)
Non-current assets				
Investment properties	2,094,696	2,164,623	2,091,024	2,112,208
Property, plant and equipment	782,938	764,018	804,923	804,106
Others	99,163	108,113	107,930	119,541
	<u>2,976,797</u>	<u>3,036,754</u>	<u>3,003,877</u>	<u>3,035,855</u>
Current assets				
Properties held for sale	1,249,602	1,269,343	1,356,712	1,441,438
Properties under development	931,000	845,067	722,050	623,257
Trade receivables	373,846	234,356	253,991	295,607
Inventories	119,388	81,486	74,006	71,234
Bills receivable	45,742	105,862	47,188	115,357
Cash and bank balances	1,714,596	2,445,429	2,486,422	1,281,633
Others	578,717	346,099	236,768	324,507
	<u>5,012,891</u>	<u>5,327,642</u>	<u>5,177,137</u>	<u>4,153,033</u>
Total assets	<u>7,989,688</u>	<u>8,364,396</u>	<u>8,181,014</u>	<u>7,188,888</u>
Non-current liabilities				
Bank borrowings	2,403,018	2,510,990	1,672,410	1,760,018
Others	432,160	432,865	441,794	449,485
	<u>2,835,178</u>	<u>2,943,855</u>	<u>2,114,204</u>	<u>2,209,503</u>
Current liabilities				
Trade payables	798,575	757,375	908,520	1,000,062
Bank borrowings	761,855	921,000	1,623,687	781,225
Contract liabilities	253,581	272,343	326,002	104,942
Others	344,745	479,631	409,201	515,482
	<u>2,158,756</u>	<u>2,430,349</u>	<u>3,267,410</u>	<u>2,401,711</u>
Total liabilities	<u>4,993,934</u>	<u>5,374,204</u>	<u>5,381,614</u>	<u>4,611,214</u>
Net assets	<u>2,995,754</u>	<u>2,990,192</u>	<u>2,799,400</u>	<u>2,577,674</u>

Source: The Annual Reports and the 2022 Interim Report

Since the majority of the assets of the Group was relating to properties, we have further listed out the portfolio of the Group's properties with reference to the property valuation report prepared by CBRE Limited (the "Valuation Report") as set out in Appendix II to the Composite Document below.

No.	Details of properties	Location	Total gross floor area (approx. sq.m.)	Market value in existing state (RMB)/approx. area (sq.m.) as at 31 July 2022					Total market value in existing state as at 31 July 2022 (RMB)
				Properties held for sale	Properties held and occupied by the Group		Properties held under development	Properties held for future development	
					Properties held for investment				
1.	Two units in a factory building	Futian, Shenzhen, Guangdong Province	1,152	--	--	30,100,000 (1,152 sq.m.)	--	--	30,100,000
2.	An office building with other facilities and car parking spaces	Nanshan, Shenzhen, Guangdong Province	61,523	--	211,800,000 (11,421 sq.m.)	706,000,000 (50,102 sq.m.)	--	--	917,800,000
3.	An office building, two factory buildings and an apartment building with car parking spaces	Guangming High-tech Zone, Shenzhen, Guangdong Province	245,482	--	209,000,000 (59,399 sq.m.)	904,000,000 (186,083 sq.m.)	--	--	1,113,000,000
4.	60 units in a residential building project	Bao'an, Shenzhen, Guangdong Province	5,311	--	No Commercial Value (5,311 sq.m.)	--	--	--	No Commercial Value
5.	An industrial project which includes a factory building with other facilities and certain vacant land for further development	Gangzha, Nantong, Jiangsu Province	230,019	--	271,000,000 (72,893 sq.m.)	--	16,600,000 (planned 157,126 sq.m.)	--	287,600,000
6.	Two office buildings with retail units and car parking spaces	Binjiang, Hangzhou, Zhejiang Province	65,511	--	11,300,000 (2,619 sq.m.)	270,300,000 (62,892 sq.m.)	--	--	281,600,000
7.	A commercial and office development with retail units, other facilities and car parking spaces	Huaqiao, Kunshan, Jiangsu Province	162,055	--	--	--	540,000,000 (planned 162,055 sq.m.)	--	540,000,000
8.	A residential and commercial development with car parking spaces of which certain units of completed Phases 1 and 2 remained unsold and Phase 3 to be further developed	Dianshanhu, Kunshan, Jiangsu Province	230,320	919,300,000 (117,423 sq.m.)	6,300,000 (914 sq.m.)	33,000,000 (4,773 sq.m.)	132,000,000 (planned 78,592 sq.m.)	30,600,000 (planned 28,618 sq.m.)	1,126,200,000
9.	A commercial apartment building, two office towers, a shopping mall and car parking spaces, and a development site being developed for an office tower and car parking spaces	Xishan, Wuxi, Jiangsu Province	236,727	283,900,000 (32,949 sq.m.)	121,600,000 (53,192 sq.m.)	652,900,000 (88,390 sq.m.)	275,700,000 (planned 62,196 sq.m.)	--	1,334,100,000
10.	Commercial apartment units remained unsold and sold but not delivered	Xishan, Wuxi, Jiangsu Province	56,966 (aboveground)	876,000,000 (56,966 sq.m.)	--	--	--	--	876,000,000
Total				2,079,200,000	831,000,000	2,596,300,000	952,700,000	47,200,000	6,506,400,000

The non-current assets of the Group comprised mainly its investment properties, property, plant and equipment and the current assets of the Group comprised mainly its properties held for sale, properties under development, cash and cash equivalents and trade receivables. The total assets of the Group were stable as to approximately RMB8.4 billion as at 31 December 2021 (audited) and approximately RMB8.0 billion as at 30 June 2022 (unaudited). The total liabilities of the Group decrease slightly from approximately RMB5.4 billion as at 31 December 2021 (audited) to approximately RMB5.0 billion as at 30 June 2022 (unaudited) mainly to decrease in bank borrowings. As at 30 June 2022, the cash and bank balances of the Group was approximately RMB1.7 billion (unaudited), representing an decrease of approximately 29.2% as compared with approximately RMB2.4 billion as at 31 December 2021 (audited) mainly due to the net cash used in financing activities (i.e. repayment of borrowings and payment of interests) and investing activities (i.e. purchase of property, plant and equipment).

(ii) Information and principal business of the Offeror

The Offeror is a joint stock company incorporated in the PRC with limited liability on 24 November 2021. The Offeror is owned as to 99% by EVOC Hi-Tech (equity interests of which are owned as to 70.5% by Mr. Chen and 29.5% by Mrs. Chen) and as to 1% by Mr. Chen as at the Latest Practicable Date.

The Offeror is incorporated in the PRC by EVOC Hi-Tech and Mr. Chen for the purpose of the Merger. The business scope of the Offeror as set out in the business registration certificate includes, *inter alia*, the sales of industrial control and computing system, software, computing accessories, provision of computing system service, sales of internet equipment and electronic equipment.

(iii) Intention of the Offeror in relation to the Group

According to the Letter from the Board, after the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror that it will continue to carry on its current business.

In view of the Merger, the Offeror will review the holding structure of certain business, assets, properties and operation units within the Group, and may implement changes to be determined with reference to such review to be conducted after the delisting of the Company's H Shares which the Offeror deems necessary, appropriate or convenient, which may include redeployment of fixed assets of the Group, such as the reallocation of fixed assets from the Offeror to the operating subsidiaries of the Group after completion of the Merger. As at the Latest Practicable Date, the Offeror has not formulated any concrete plans for redeployment of fixed assets of the Group.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. Following completion of the Merger, the employment contracts of all employees of the Company will continue with the Offeror as the surviving entity. The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

(iv) Reasons for and benefits of the Merger

The followings are the reasons for and benefits of the Merger according to the Letter from the Board.

(a) an attractive opportunity to realise the H Shareholders' investment in the Company at a compelling premium amidst a challenging environment and in an illiquid market

Transaction liquidity of the H Shares has been low for an extended period of time. The average daily turnover of the H Shares for the following periods up to and including the Last Trading Date were as follows:

- i. the period of three months up to and including the Last Trading Date, 380,258 shares, representing only approximately 0.12% of the total issued H Shares on the Last Trading Date;
- ii. the period of twelve months up to and including the Last Trading Date, 333,228 shares, representing only approximately 0.11% of the total issued H Shares on the Last Trading Date; and
- iii. the period of twenty-four months up to and including the Last Trading Date, 1,439,658 shares, representing only approximately 0.47% of the total issued H Shares on the Last Trading Date.

The low trading volume of the Shares makes it difficult for the H Shareholders to execute substantial sales of the H Shares on-market without adversely affecting the price of the H Shares. Besides, the Company has been operating in a very challenging environment, which may also affect the Company's financial performance. The revenue and profit attributable to owners of the Company for the first half of 2022 has dropped approximately 9.6% and 40.4% respectively compared with the same period of 2021. The share price of the Company may be subject to further pressure due to the uncertainty of the Company's future financial performance under the current challenging economic environment.

(b) the Company has lost the advantage of a listing platform

i. Limited equity fundraising options

Since the listing of the H Shares on the Stock Exchange, the Company has not raised any funds through equity issuance as it has been subject to various restrictions in utilising its equity fundraising options. For instance, any issue of H Shares by the Company would require approval from the relevant authorities in the PRC. In addition, given that the Company is subject to the public float requirement under the Listing Rules, the Company is also restrained from enlarging its share capital through further issuance of the Domestic Shares. Furthermore, as the Company's H Shares have been trading at a relatively low-price range with sluggish trading volume for most of the time, its ability to raise funds from the equity market is significantly limited.

ii. Low cost-efficiency in maintaining the listing status of the Company

The H Shares have been trading at a significant discount as compared to the Group's book value over the past one year, with price to book ratios ranging from 0.33 to 0.51 during that period. The relatively low trading price range as compared to the Group's book value and sluggish trading volumes abovementioned significantly limit the Company's ability to raise funds from the equity market. At the same time, the cost of maintaining the Company's listing status (including those associated with regulatory compliance, disclosure and publication of financial statements) had been on the rise, defeating the original purpose for listing. After the privatization, the H Shares will be delisted from the Stock Exchange, which may benefit the Company from savings in costs related to the compliance and maintenance of the listing status of the Company. The Company's management will also be able to reallocate resources originally applied towards the Company's administration, compliance and other matters relating to its listing status towards the Group's business operations.

iii. More flexibility to formulate long-term strategic directions after the delisting of the H Shares

As a result of the ongoing COVID-19 pandemic and the tight supply in the raw material market, China and global economy have not yet returned to normal levels. Moreover, due to the shortage of semiconductor devices across the globe, the delivery of materials was delayed or even suspended and their supply prices increased significantly, thereby increasing the product costs. Furthermore, the trade and diplomatic conflicts between China and the U.S. in 2021 intensified the risks of the availability and the increase in price of imported raw materials for special computers.

Generally, the spread of pandemic and the weakened international trade increased uncertainties over the domestic and overseas sales of special computer products.

In view of the above, the Company is facing major challenges with greater uncertainties in future operations. In order to maintain core competitiveness, the Company needs to unify and sort out its strategy and business direction, exploring new development opportunities and long-term growth strategies, which may cause uncertainty in the Company's financial performance in the short term, thereby causing losses to H Shareholders. After the completion of the Merger, the Company can formulate long-term strategies with more flexibility and avoid the pressure from market expectations and stock price fluctuation risks as a listed company. It is expected that after the delisting of the H Shares and completion of deregistration of the Company, the Offeror does not intend to seek for listing of its shares or that of its subsidiaries on any other stock exchanges (including the stock exchanges in the PRC).

We have reviewed the 2022 Interim Report to analyse its recent performance of the Group and noted that the unaudited turnover and profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by approximately 9.6% and 40.4% respectively as compared to those for the same period in prior year. As mentioned in the paragraph headed "(i) Review of financial position/performance of the Group" above, the decrease in turnover of the Group during the six months ended 30 June 2022 was mainly due to the significant decrease in sales of mobile phones and accessories while sales of special computer products and properties were relatively stable. Nevertheless, the largest revenue contributor to the Group, being special computer products, is facing challenge due to the ongoing COVID-19 pandemic and the tight supply in the raw material market as detailed in reason of Merger (b)(iii) above.

Since the major products of the Group comprise special computers, information technology platform, mobile phone products etc., we have conducted research on the relevant industry in the PRC. According to Ministry of Industry and Information Technology of the PRC, the value addition of information technology manufacturing industry in the PRC grew by approximately 7.7% in 2020 and approximately 15.7% in 2021 respectively on year-on-year basis. For the first seven months in 2022, the growth rate decreased to approximately 9.8% as compared with the same period in 2021. The profit of information technology manufacturing industry in the PRC grew by approximately 17.2% in 2020 and approximately 38.9% in 2021 respectively on year-on-year basis. But for the first seven months in 2022, the industry recorded decrease in profit as to approximately 9.6% as compared with the same period in 2021. As regards the fixed assets investment, the information technology manufacturing industry grew by approximately 12.5% in 2020 and approximately 22.3% in 2021 respectively

on year-on-year basis. For the first seven months in 2022, the growth rate decreased to approximately 18.6% as compared with the same period in 2021. These show that the growth of information technology manufacturing industry has slowed down recently and profitability has also been adversely affected. As mentioned in the 2022 Interim Report, under the global pandemic, the China-U.S. conflict and energy crisis in Europe caused by the Russia-Ukraine conflict, supply of semiconductors and related raw materials are affected and the rising cost of raw materials has led to continuous cost increases in China's manufacturing industry which in turn has an adverse impact on the sales of special computers in the market. As advised by the Company, continuous investment in research and development will be needed for special computer products and accelerate the application and innovation of intelligent software and hardware integrated products yet the future result is uncertain.

According to National Bureau of Statistics, the total investment in property development in the Eastern PRC (including Jiangsu Province, Zhejiang Province and Shenzhen where all properties of the Group as tabled in the paragraph headed "(i) Review of financial position/performance of the Group" above are located at) grew by approximately 7.6% in 2020 and approximately 4.2% in 2021 respectively on year-on-year basis. But for the first seven months in 2022, such investment amount decreased by approximately 5.3% as compared with the same period in 2021. As regards the sales amount of commodity buildings (including residential, office and business buildings) in the Eastern PRC, it grew by approximately 14.1% in 2020 and approximately 8.0% in 2021 respectively on year-on-year basis. But for the first seven months in 2022, such sales amount decreased by approximately 31.0% as compared with the same period in 2021. For the investment properties of the Group, we have reviewed a list of tenancy and noted that over two-thirds of the tenure are expected to expire in two years. Under the ongoing COVID-19 pandemic and the trade conflicts between China and the U.S., economic environment in the PRC was also affected and growth rate of gross domestic products of the PRC has dropped from approximately 12.7% for the first half in 2021 to approximately 2.5% for the first half in 2022. As the future development of COVID-19 pandemic and the trade conflicts between China and the U.S. remains uncertain and in the absence of long term tenancy, the Company considers that the continuance of existing leases of the Group's properties and level of recurring rental income in future may also be affected. As advised by the Company, they will continue to review the status of the uncertain business environment and devise strategies on their business and use of the Group's resources for long term development of the Group but no concrete plan has been formulated as at the Latest Practicable Date.

Having reviewed (i) the historical price performance and liquidity of the H Shares (as detailed in the following paragraph headed “(v) The Cancellation Price and historical Share price performance”, “(vi) Historical trading volume of the Shares” and “(vii) Market comparable analysis”); (ii) the limited equity fundraising exercises conducted by the Company since listing of its H Shares on the Stock Exchange; and (iii) the Company’s need to formulate strategies with more flexibility to cope with any changes in both information technology and property industries in the PRC, we concur with the abovementioned reasons for and benefits of the Merger.

(v) The Cancellation Price and historical Share price performance

The Cancellation Price of HK\$1.75 per H Share represents:

- i. a premium of approximately 15.13% over the closing price per H Share of HK\$1.52 on the Stock Exchange on the Last Trading Date;
- ii. a premium of approximately 42.28% over the average closing price of HK\$1.23 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- iii. a premium of approximately 44.63% over the average closing price of HK\$1.21 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- iv. a premium of approximately 44.63% over the average closing price of HK\$1.21 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Date;
- v. a premium of approximately 50.86% over the average closing price of HK\$1.16 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the sixty consecutive trading days immediately prior to and including the Last Trading Date;
- vi. a premium of approximately 52.17% over the average closing price of HK\$1.15 per H Share based on the average closing price of H Shares on the Stock Exchange for the ninety consecutive trading days immediately prior to and including the Last Trading Date;

- vii. a discount of approximately 40.88% to the Group's audited net asset value attributable to the Shareholders per Share of approximately HK\$2.96 as at 31 December 2021, based on the exchange rate of HK\$1 : RMB0.81760, being the median exchange rate on 31 December 2021 as announced by the People's Bank of China;
- viii. a premium of approximately 5.42% over the closing price of HK\$1.66 per H Shares as quoted on the Stock Exchange as at the Latest Practicable Date;
- ix. a discount of approximately 38.38% to the Group's unaudited net asset value attributable to the Shareholders per Share of approximately HK\$2.84 as at 30 June 2022, based on the exchange rate of HK\$1 : RMB0.85519, being the median exchange rate on 30 June 2022 as announced by the People's Bank of China; and
- x. a discount of approximately 55.41% to the adjusted unaudited consolidated net asset value per Share of the Company (the "**Adjusted Unaudited NAV per Share**") of approximately HK\$3.92 per Share as at 31 July 2022 (based on the exchange rate of HK\$1.00 to RMB0.85948 as at 1 August 2022 as per the State Administration of Foreign Exchange website) as mentioned in the "Letter from the Board" and Appendix I to the Composite Document.

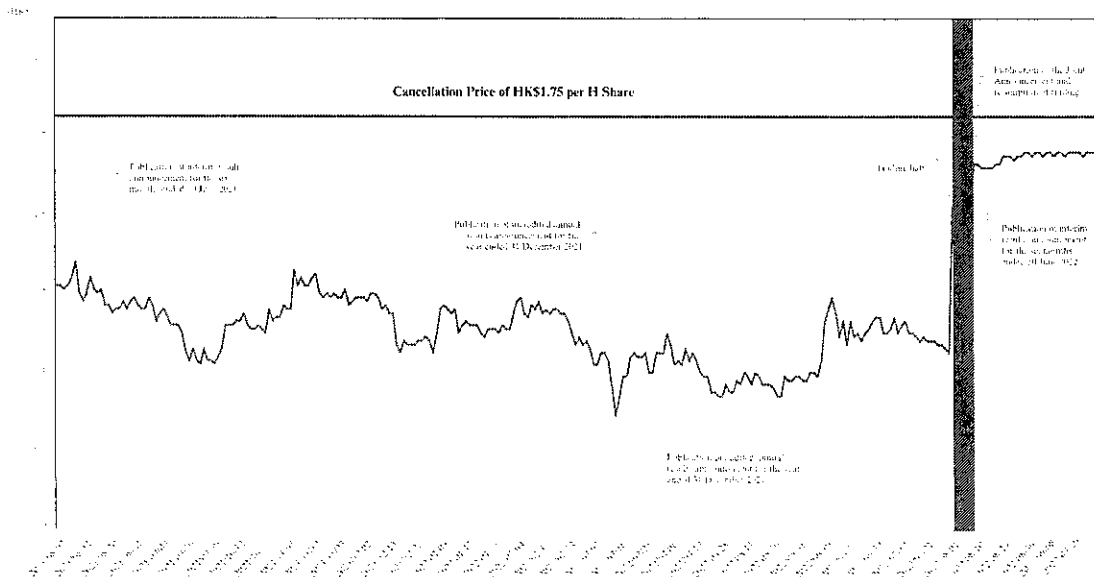
According to Appendix I to the Composite Document, the Adjusted Unaudited NAV per Share is calculated by the Company based on the audited net asset value of the Company attributable to the Shareholders of approximately RMB2,990.2 million as at 31 December 2021 adding the revaluation surplus of approximately RMB1,558.8 million arising from the valuation of property interests held by the Group as at 31 July 2022 as assessed by CBRE Limited after considering the status of properties and market conditions and deducting deferred taxation of approximately RMB389.7 million (based on applicable PRC tax rate of 25% on the revaluation surplus of the property interests).

We were provided by the Company the calculation of the Adjusted Unaudited NAV per Share and we noted that the revaluation surplus of approximately RMB1,558.8 million arising from the valuation of property interests of the Group is the difference between the (i) total value of the Group's property interests of approximately RMB4,947.6 million, comprising (a) land and buildings (under property, plant and equipment) of approximately RMB668.6 million; (b) properties under development of approximately RMB845.1 million; (c) properties held for sale of approximately RMB1,269.3 million; and (d) investment properties of the Group of approximately RMB2,164.6 million as at 31 December 2021 per the 2021 Annual Report; and (ii) the total market value in existing state of the Group's property interests of approximately RMB6,506.4 million as shown in the Valuation Report. For the values of properties of the Group as at 31 July 2022, we noted from the Valuation Report that such properties comprise (i) properties held for sale by the Group; (ii) properties held and occupied by

the Group; (iii) properties held for investment by the Group; (iv) properties held under development by the Group; and (v) properties held for future development by the Group.

According to the 2021 Annual Report, the audited net assets per Share of the Company was approximately RMB2.42 as at 31 December 2021 and according to the 2022 Interim Report, the unaudited net assets per Share of the Company was approximately RMB2.43 as at 30 June 2022 respectively (or equivalent to approximately HK\$2.69 based on the exchange rate cited from People’s Bank of China as at the Latest Practicable Date). Therefore, the H Shares were traded at significant discount to the net assets of the Company per Share ranging from approximately 38.3% to 64.3% during Review Period (as defined below). For the purpose of further comparing the Cancellation Price of HK\$1.75 per H Share with the market price of the H Shares, we have plotted the closing price level of the Shares traded on the Stock Exchange for a 12 month period (“Pre-Announcement Period”) from 1 August 2021 to 1 August 2022, being the date on which the trading of the H Shares was halted in the morning trading session, and further up to the Latest Practicable Date (the “Post-Announcement Period”, collectively the “Review Period”) as follows:

Closing price of the H Shares during the Review Period



Source: The Stock Exchange

(a) Pre-Announcement Period

As shown in the chart above, closing prices of the H Shares were below the Cancellation Price during the entire Pre-Announcement Period and fluctuated between HK\$0.99 per H Share and HK\$1.52 per H Share. During this period, the Company announced (i) its unaudited interim results for the six months ended 30 June 2021 on 11 August 2021; (ii) its unaudited annual results for the year ended 31 December 2021 on 31 March 2022; and (iii) its further information in relation to its audited annual results for the year ended 31 December 2021 on 27 April 2022.

Since 11:36 a.m. on 1 August 2022, trading of the Shares was halted pending the release of an announcement by the Company in relation to inside information of the Company and pursuant to Takeovers Code. Before the time of trading halt, the closing price of the H Shares was HK\$1.52 per H Share which was the highest closing price during the Pre-Announcement Period.

(b) Post-Announcement Period

At 9:00 a.m. on 9 August 2022, trading of the H Shares was resumed after the publication of the Joint Announcement and the closing price of the H Share reached HK\$1.63 per H Share. Since then the closing prices of the H Shares have been generally on similar level. On 12 August 2022, the Company announced its unaudited interim results for the six months ended 30 June 2022. As confirmed by the Directors, save for the release of the Joint Announcement, the Directors are not aware of any specific event that caused the recent substantial increases in prices of the H Shares. As at the Latest Practicable Date, the closing price of the H Shares was HK\$1.66 per H share. Hence, we consider that the aforesaid increases in prices of the H Shares reflected the market's reaction to the Merger.

(vi) Historical trading volume of the Shares

The following table sets out the historical monthly trading volume of the H Shares and the percentage of the number of H Shares traded compared to the total number of the H Shares in issue during the Review Period:

Months/period	Number of trading days	Total trading volume (Number of H Shares)	Average daily trading volume (Number of H Shares) (Note 1)	% of average daily trading volume to the total number of H Shares in issue/ total number of H Shares held by the Independent H Shareholders (%) (Note 2)
2021				
August	22	11,591,000	526,864	0.171
September	21	8,960,000	426,667	0.138
October	18	3,796,000	210,889	0.068
November	22	7,754,400	352,473	0.114
December	22	6,020,000	273,636	0.089
2022				
January	21	4,432,800	211,086	0.068
February	17	7,100,000	417,647	0.135
March	23	4,744,000	206,261	0.067
April	18	4,000,000	222,222	0.072
May	20	2,884,000	144,200	0.047
June	21	6,460,000	307,619	0.100
July	20	2,772,000	138,600	0.045
August (Note 3)				
— Prior to trading halt	1	11,460,000	11,460,000	3.717
— After resumption in trading	17	55,888,000	3,287,529	1.066
September (up to the Latest Practicable Date)	18	15,230,400	846,133	0.274

Source: The Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the H Shares on the Stock Exchange was suspended for the whole day, if any.
2. The calculation is based on the average daily trading volume of the H Shares divided by the balance of total number of issued H Share at the end of the respective month/period. As set out in the Letter from the Board, none of the Offeror or parties acting in concert with it legally or beneficially owns any H Shares.
3. Trading in the H Shares was halted for around six trading days from 11:36 a.m. on 1 August 2022 to 8 August 2022 pending the publication of the Joint Announcement.

As illustrated in the table above, the average daily trading volume of the H Shares for the respective month/period was generally thin during the Pre-Announcement Period (except the Last Trading Date) and ranged from approximately 138,600 H Shares in July 2022 to approximately 526,864 H Shares recorded in August 2021, representing approximately 0.045% to approximately 0.171% of the total number of the H Shares in issue as at the end of the relevant month/period. Such percentages also represent the average daily trading volume of the H Shares held by the Independent H Shareholders during the Pre-Announcement Period as none of the Offeror or parties acting in concert with it legally or beneficially owns any H Shares according to the Letter from the Board.

On 1 August 2022, the total trading volume of the H Shares was 11,460,000 Shares and trading of the H Shares was halted at 11:36 a.m.. The Joint Announcement was published on 8 August 2022 and trading in the H Shares was resumed from 9:00 a.m. on 9 August 2022. The average daily trading volume of the H Shares from 9 August 2022 to 31 August 2022 was 3,287,529 H Shares and became 846,133 H Shares in September 2022 (up to the Latest Practicable Date).

The H Shareholders should be mindful as to whether there will be sufficient liquidity in the H Shares for those who wish to realise part or all of their investment in the Company at the prevailing market price of the H Shares and whether their disposal of H Shares will exert a downward pressure on the market prices of the H Shares.

(vii) Market comparable analysis

The Group is principally engaged in two business segments, namely (i) the research, development, manufacturing and distribution of special computer products and the trading of electronic accessories; and (ii) the sales of development properties. According to the 2021 Annual Report and the 2022 Interim Report, (i) substantial portion of the turnover of the Company for the year ended 31 December 2021 and the six months ended 30 June 2022 was contributed by the sales of special computer products and electronic products and accessories; and (ii) the majority of the total assets of the Company as at 31 December 2021 and 30 June 2022 were investment properties, properties under development and properties held for sale. As such we have

conducted research on the companies listed on the Stock Exchange with similar business model, products, geographic markets and size but there is no companies listed on the Stock Exchange principally engaged in the sales of the same product mix (i.e. mainly special computers, electronic products and accessories and properties) as at the Latest Practicable Date. Hence, we have conducted research on two different industries, namely electronics (including information technology hardware and equipment, computers, mobile phones and related parts) and property development and investment which are relevant to the Group's principal businesses, and exhaustively identified (i) six companies listed on the Stock Exchange which are principally engaged in sales of computer related parts and peripheral products, information technology and electronic products; and (ii) 55 companies listed on the Stock Exchange which are principally engaged in development and investment of properties. In selecting these 61 companies, we take into account those (i) with not less than 90% of revenue generated from industries similar to those of the Group in the latest financial year; (ii) with not less than 90% of revenue generated from the PRC market as all the turnover of the Group are located in the PRC; (iii) with trading of ordinary shares not being suspended on the Stock Exchange for the whole trading day as at the Latest Practicable Date; and (iv) with market capitalisation of not more than HK\$3.0 billion as at the Latest Practicable Date which we consider a reasonable benchmark for size comparison as the hypothetical market capitalisation of the Company was over HK\$2.0 billion as at the Latest Practicable Date (based on the closing price of the H Shares and the total number of the Shares in issue (including both Domestic Shares and H Shares) as at the Latest Practicable Date).

In view of the similarity of the industry, geographic market and market capitalisation of the abovementioned six companies principally engaged in sales of computer and electronic products (the "**Electronic Comparables**") and the abovementioned 55 companies principally engaged in development and/or investment of properties (the "**Property Comparables**", together with the Electronic Comparables, the "**Market Comparables**") and those of the Company, we consider the Market Comparables are fair and representative sample for comparison to the Company. Shareholders should note that the principal activities, market capitalisations, profitability and financial positions of each of the Market Comparables are different which may affect how they are actually valued and their respective market multiple valuations in the market. Therefore, the comparison with the Market Comparables set out in this letter is solely for general reference to the market trend when assessing the fairness and reasonableness of the Cancellation Price.

In assessing the fairness and reasonableness of the Cancellation Price, we have performed a price-to-earnings ratio (the “**P/E Ratio**”) analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. Since four out of six Electronic Comparables recorded net loss during the latest full financial year, we have also performed a price-to-sales ratio (the “**P/S Ratio**”) analysis which is a common method for valuing enterprises particularly when no profit is recorded. Given the profitability of electronic industry is materially affected by the recent fluctuation in supply and price of raw materials like semi-conductors and chips, we consider that it is fair and reasonable to use P/S Ratio analysis as an alternative way to assess the values the Company and all the Electronic Comparables when majority of the Electronic Comparables were loss-making during their respective latest full financial year. However, as property related assets (i.e. property, plant and equipment, right-of-use assets and properties under development) of all the Electronic Comparables represent relatively small percentages of their total assets as at the end of their respective latest financial year or interim period when comparing to the Group, we consider the net asset approach is not an appropriate approach to assess the fairness and reasonableness of the Cancellation Price with reference to the Electronic Comparables. On the other hand, as the Group did not declare or distribute any dividend for the last financial year, we consider that the price-to-dividends approach is not applicable in assessing the fairness or reasonableness of the Cancellation Price in this case. Details of our analysis on the P/E Ratios of the Company and the Electronic Comparables are set out in the table below.

The following table sets out the Electronic Comparables we consider as reasonable benchmarks for the Group:

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Revenue during the latest full financial year (HKS' million) (c)	P/E Ratios (times) (a)/(b)	P/S Ratios (times) (a)/(c)
Jolimark Holdings Limited (2028)	Manufacture and sale of printers and other electronic products in the PRC	110.32	(27.90)	382.50	N/A	0.29
Tongda Hong Tai Holdings Limited (2363)	Manufacturing and sale of casings and components of notebooks and tablets	74.20	(196.96)	370.69	N/A	0.20
Ju Teng International Holdings Limited (3336)	Manufacture and sale of casings for notebook computer and handheld devices	1,584.01	162.40	11,282.98	9.75	0.14
Huabang Technology Holdings Limited (3638)	Trading business (including computer and peripheral products and electronics products business) and financial services business	363.05	(241.02)	1,702.55	N/A	0.21

Company/ Stock Code	Principal business activities	Market capitalisation (HK\$ million) (Note 1) (a)	Profit (Loss)	Revenue during the latest full financial year (HK\$ million) (c)	P/E Ratios (times) (a)/(b)	P/S Ratios (times) (a),(c)
			attributable to shareholders during the latest full financial year (HK\$ million) (b)			
Changhong Jiahua Holdings Limited (3991)	Provision of professional integrated IT solutions and services and distribution of consumer digital products and provision of cloud computing services.	930.98	413.25	44,558.17	2.25	0.02
Zhejiang Rui Yuan Intelligent Control Technology Company Limited (8249)	Design, manufacture and sales of CNC machine tools optical and mechanical products, sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances in the PRC	38.00 (Note 3)	(4.48)	40.56	N/A	0.94
		Statistics:	Minimum		2.25	0.02
			Maximum		9.75	0.94
			Mean		6.00	0.30
			Median		6.00	0.21
The Company		2,047.02	184.45		11.70 (Note 2)	1.50 (Note 3)

Source: The Stock Exchange

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price of shares and the number of shares in issue of the Electronic Comparables as at the Latest Practicable Date.
2. Based on the Cancellation Price of HK\$1.75 per H Share and the earning per Share of approximately RMB0.13 or HK\$0.15 (calculated based on the consolidated audited profit for the year attributable to owners of the Company of approximately RMB166.18 million for the year ended 31 December 2021 and the 1,233,144,000 Share issued (both Domestic Shares and H Shares) as at the Latest Practicable Date).
3. Based on the Cancellation Price of HK\$1.75 per H Share and the turnover per Share of approximately RMB1.05 or HK\$1.17 (calculated based on the consolidated audited turnover for the year of the Company of approximately RMB1,296.19 million for the year ended 31 December 2021 and the 1,233,144,000 Share issued (both Domestic Shares and H Shares) as at the Latest Practicable Date).

4. In the calculation above, figures denominated in RMB as stated in the relevant annual reports or interim results announcement/interim reports of the Electronic Comparables are translated into HK\$ at the exchange rate of HK\$1.00 to RMB0.90093 according to the rate cited from People's Bank of China as at the Latest Practicable Date.

As illustrated in the table above, the maximum P/E Ratio of the Electronic Comparables (i.e. Ju Teng International Holdings Limited) is approximately 9.75 times as at the Latest Practicable Date which is lower than the P/E Ratio of the Company of approximately 11.70 times as implied by the Cancellation Price. Furthermore, the P/S Ratio of approximately 1.50 times as implied by the Cancellation Price is significantly higher than all the P/S Ratios of the Electronic Comparables. Since the majority of the total assets of the Company were relating to its properties held for sale and investment properties, we have further assessed the fairness and reasonableness of the Cancellation Price by comparing to the P/E Ratios and price-to-book ratio (the "P/B Ratios") of the Property Comparables with reference to the audited net asset value of the Group per Share as at 31 December 2021, unaudited net asset value the Group per Share of as at 30 June 2022, the Adjusted Unaudited NAV per Share (details of the Adjusted Unaudited NAV and property valuation are set out in the paragraph headed "(v) The Cancellation Price and the historical Share price performance" above and Appendix I and Appendix II to the Composite Document).

Company/ Stock Code	Principal business activities	Market capitalisation (HK\$' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HK\$' million) (b)	Net asset (liability) value	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
				attributable to shareholders as at the end of latest full financial year or interim period (HK\$' million) (Note 2) (c)		
Keyne Ltd. (0009)	Property and hotel development business and property rental	110.63	(537.36)	(491.17)	N/A	N/A
Dynamic Holdings Limited (0029)	Property investment	2,015.73	(14.07)	2,251.75	N/A	0.90
Skyfame Realty (Holdings) Limited (0059)	Property development, property investment, property management and commercial operations	329.41	(315.46)	2,806.04	N/A	0.12
Y.T. Realty Group Limited (0075)	Property development and trading, property investment, treasury management and property management and related services	639.65	(120.98)	1,492.21	N/A	0.43
Grand Field Group Holdings Limited (0115)	Property development, property investment, hotel operation and general trading	62.46	(224.27)	675.96	N/A	0.09

Company/ Stock Code	Principal business activities	Market capitalisation (HK\$ million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HK\$ million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HK\$ million) (Note 2) (c)	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
Guangdong Land Holdings Limited (0124)	Property development and property investment	1,317.88	1,402.25	8,121.56	0.94	0.16
Cheuk Nang (Holdings) Limited (0131)	Property development, investment and management	1,507.68	148.70	6,937.72	10.14	0.22
International Business Settlement Holdings Limited (0147)	Property development, hotel business, international business settlement, contact lens business, leasing, trading of computer equipment and financing business	1,686.48	(119.14)	673.46	N/A	2.50
Silver Grant International Holdings Group Limited (0171)	Property investment and investments in financial assets	991.09	(1,452.61)	4,917.76	N/A	0.20
Minmetals Land Limited (0230)	Real estate development, specialised construction, property investment and securities investment	1,840.80	89.21	9,143.59	20.63	0.20
GBA Holdings Limited (0261)	Development and sale of properties and finance business	91.92	(60.00)	840.00	N/A	0.11
Applied Development Holdings Limited (0519)	Resort and property development, property investment and investment holding	232.97	(60.23)	1,008.35	N/A	0.23
Shanghai Industrial Urban Development Group Limited (0563)	Residential and commercial properties development, property investment and hotel operations	2,739.60	572.33	14,297.16	4.79	0.19
Beijing North Star Company Limited (0588)	Development properties, convention and exhibition and investment properties (including hotels)	2,962.98	218.72	22,582.83	13.55	0.13
China Tangshang Holdings Limited (0674)	Property sub-leasing and investment business, property development and money lending business	593.37	8.02	386.46	73.98	1.54

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HKS' million) (Note 2) (c)	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
China Oceanwide Holdings Limited (0715)	Property investment, real estate development, energy and finance investment	371.28	(5,359.79)	3,200.88	N/A	0.12
Crown International Corporation Limited (0727)	Property investment, property development, hotel operations, financial consultancy service and comprehensive healthcare business	204.91	(105.24)	1,971.48	N/A	0.10
Talent Property Group Limited (0760)	Real estate development, property investment and property management	216.16	182.07	1,799.03	1.19	0.12
Central China Real Estate Limited (0832)	Property development, property leasing and hotel operations	1,067.67	671.43	3,690.13	1.59	0.29
Glorious Property Holdings Limited (0845)	Development of real estate projects	1,052.01	(5,716.35)	(758.6)	N/A	N/A
Mingfa Group (International) Company Limited (0846)	Development of commercial and residential properties, hotel management, property management and property investment	2,071.77	2,089.68	20,243.90	0.99	0.10
Jiande International Holdings Limited (0865)	Property development	607.15	12.34	891.34	49.19	0.68
Asia Resources Holdings Limited (0899)	Property development, property investment and production and sales of bottled water	223.90	(361.64)	1,645.36	N/A	0.14
China Sandi Holdings Limited (0910)	Property development and holding of property for investment and rental purposes	1,068.52	188.37	5,508.28	5.67	0.19
China Merchants Land Limited (0978)	Development, sale, lease, investment and management of properties; assets management; and investment holding	2,697.89	622.21	10,828.38	4.34	0.25

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HKS' million) (Note 2) (c)	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
Zhong Hua International Holdings Limited (1064)	Property development, investment and management businesses	61.37	6.81	898.15	9.01	0.07
Road King Infrastructure Limited (1098)	Property development, investment and asset management businesses	2,218.04	1,028.25	21,758.17	2.16	0.10
Coastal Greenland Limited (1124)	Property development, property investment, project management services, and project investment services.	145.11	(942.60)	3,588.95	N/A	0.04
SRE Group Limited (1207)	Real estate development and investment	493.55	42.34	4,595.88	11.66	0.11
Golden Wheel Tiandi Holdings Company Limited (1232)	Property development, property leasing and hotel operation	233.87	(2,197.95)	2,699.40	N/A	0.09
Boill Healthcare Holdings Limited (1246)	Property development, healthcare holiday resort development and operation, foundation piling and securities investment	176.54	(517.80)	(11.54)	N/A	N/A
Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (1379)	Property leasing	300.00	52.52	832.03	5.71	0.36
Weiyee Holdings Limited (1570)	Property development and the manufacturing and trading of heating, ventilation, air-conditioning, air purification and clean room equipment	784.53	(142.11)	1,534.73	N/A	0.51
Yuzhou Group Holdings Company Limited (1628)	Property development, property investment, property management and hotel operations	1,668.70	956.89	28,518.05	1.74	0.06

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HKS' million) (Note 2) (c)	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
Sino Harbour Holdings Group Limited (1663)	Sale and leasing of self-constructed properties and investment and operation in CMC process and medical service sector	426.27	287.61	1,896.87	1.48	0.22
Yincheng International Holding Co., Ltd. (1902)	Property development, hotel operations and property investment	2,980.74	157.12	2,943.01	18.97	1.01
China SCE Group Holdings Limited (1966)	Property development, property investment, property management, land development and project management	2,237.73	3,407.61	24,196.90	0.66	0.09
Redsun Properties Group Limited (1996)	Property development, commercial property investment and operations, and hotel operations	2,804.67	1,382.84	16,757.74	2.03	0.17
Datang Group Holdings Limited (2117)	Property development	2,168.03	806.32	6,304.83	2.69	0.34
JY Grandmark Holdings Limited (2231)	Property development and sales, property management, hotel operations and commercial property investment	2,288.18	240.25	3,160.06	9.52	0.72
Hailan Holdings Limited (2278)	Investment holding, properties development and sales and rental of developed properties	1,197.00	17.15	1,603.26	69.81	0.75
Chen Xing Development Holdings Limited (2286)	Property development	540.00	87.38	1,695.08	6.18	0.32

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HKS' million) (Note 2) (c)	P/E Ratios (times) (a)/(b)	P/B Ratios (times) (a)/(c)
Glory Health Industry Limited (2329)	Property development, provision of primary land construction and development services, property investment, and provision of property management and related services	871.11	253.44	13,346.40	3.44	0.07
Shinsun Holdings (Group) Co., Ltd. (2599)	Developing and selling properties	1,049.97	(239.05)	8,566.38	N/A	0.12
Xinming China Holdings Company Limited (2699)	Development and sale of properties, leasing out properties for their rental income potential and/or for capital appreciation and investment holding	24.42	(958.94)	(1,020.43)	N/A	N/A
Zhongliang Holdings Group Company Limited (2772)	Real estate development	2,041.62	2,999.75	14,406.89	0.68	0.14
Million Cities Holdings Limited (2892)	Property development and property investment	615.00	184.68	1,261.25	3.33	0.49
Ronshine China Holdings Limited (3301)	Development of mid- to high-end residential properties and commercial properties	1,026.89	1,437.46	15,273.41	0.71	0.07
Ever Reach Group (Holdings) Company Limited (3616)	Property development	720.00	340.66	1,853.42	2.11	0.39
DaFa Properties Group Limited (6111)	Property development and leasing, commercial property management and management consulting	149.88	(533.23)	2,155.03	N/A	0.07
Zhenro Properties Group Limited (6158)	Property development, property leasing and commercial property management	1,201.13	897.97	17,688.77	1.34	0.07
Sanxun Holdings Group Limited (6611)	Developing and selling properties	189.15	3.32	1,777.51	56.97	0.11

Company/ Stock Code	Principal business activities	Market capitalisation (HKS' million) (Note 1) (a)	Profit (Loss) attributable to shareholders during the latest full financial year (HKS' million) (b)	Net asset (liability) value attributable to shareholders as at the end of latest full financial year or interim period (HKS' million) (Note 2) (c)	P/E Ratios	P/B Ratios
					(times)	(times)
					(a)/(b)	(a)/(c)
Sunkwan Properties Group Limited (6900)	Property development, property leasing and project management	169.98	277.55	2,155.62	0.61	0.08
Leading Holdings Group Limited (6999)	Property development, commercial property operations, hotel operations and project management	379.97	542.16	8,766.59	0.70	0.04
Huijing Holdings Company Limited (9968)	Property development and investment business	415.07	284.31	3,054.10	1.46	0.14
			Statistics:	Min	0.61	0.04
				Max	73.98	2.50
				Mean	11.43	0.31
				Median	3.33	0.14
The Company		2,047.02	184.45		11.70	0.65
					(Note 3)	(based on the audited net asset value per Share of HKS2.69, see Note 4)
						0.65 (based on the unaudited net asset value per Share of HKS2.70, see Note 5)
						0.45 (based on the Adjusted Unaudited NAV per Share of HKS3.92

Source: The Stock Exchange

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price of shares and the number of shares in issue of the Property Comparables as at the Latest Practicable Date.
2. The net asset value attributable to shareholders refers to the latest published accounts set out in annual reports or interim results announcement/interim reports of the Property Comparables.
3. Based on the Cancellation Price of HK\$1.75 per H Share and the earning per Share of approximately RMB0.13 or HK\$0.15 (calculated based on the consolidated audited profit for the year attributable to owners of the Company of approximately RMB166.18 million for the year ended 31 December 2021 and the 1,233,144,000 Share issued (both Domestic Shares and H Shares) as at the Latest Practicable Date).
4. Based on the Cancellation Price of HK\$1.75 per H Share and the audited net asset value per Share of approximately HK\$2.69 calculated with reference to the consolidated audited net asset value of the Company of approximately RMB2,990.19 million as at 31 December 2021 per the 2021 Annual Report and the 1,233,144,000 Share issued (both Domestic Shares and H Shares) as at the Latest Practicable Date).
5. Based on the Cancellation Price of HK\$1.75 per H Share and the unaudited net asset value per Share of approximately HK\$2.70 calculated with reference to the consolidated unaudited net asset value of the Company of approximately RMB2,995.75 million as at 30 June 2022 per the 2022 Interim Report and the 1,233,144,000 Share issued (both Domestic Shares and H Shares) as at the Latest Practicable Date).
6. In the calculation above, figures denominated in RMB as stated in the relevant annual reports or interim results announcement/interim reports of the Property Comparables are translated into HK\$ at the exchange rate of HK\$1.00 to RMB0.90093 according to the rate cited from People's Bank of China as at the Latest Practicable Date.

As illustrated in the table above, the P/E Ratios of the Property Comparables as at the Latest Practicable Date range from approximately 0.61 time to approximately 73.98 times with 20 Property Comparables recorded net loss during their respective latest financial years. The P/E Ratio of the Company of approximately 11.70 times as implied by the Cancellation Price is above the median and mean P/E Ratio of the Property Comparables. The P/B Ratios of the Property Comparables as at the Latest Practicable Date range from approximately 0.04 time to approximately 2.50 times with mean of approximately 0.31 time and median of approximately 0.14 time. The P/B Ratios of the Company as implied by the Cancellation Price (i) the audited net asset value per Share of approximately 0.65 time based on the audited net assets of the Company as at 31 December 2021 according to the 2021 Annual Report; (ii) the unaudited net asset value per Share of approximately 0.65 time based on the unaudited net assets of the Company as at 30 June 2022 according to the 2022 Interim Report; and (iii) the Adjusted Unaudited NAV per Share of approximately 0.45 time are above the mean and median P/B Ratios of the Property Comparables. On that basis, we consider that the Cancellation Price is fair and reasonable.

(viii) Precedents of privatisation transactions

To further assess the fairness and reasonableness of the Cancellation Price, we have exhaustively searched for privatisation transactions (for our analysis purpose, we excluded proposals without cash consideration and lapsed transactions) of which joint announcements setting out the offer prices/cancellation prices for ordinary shares were made by Hong Kong listed companies from 1 August 2020 (being two years prior to the Last Trading Date) up to the Latest Practicable Date. We found 45 privatisation precedent cases (the “**Privatisation Precedents**”) which meet the aforesaid criteria for comparison. The Privatisation Precedents involved companies with different principal activities from various industries such as energy, packaging, hotel, banking and financial services, food and beverage, information technology and property development and management which therefore have different market fundamentals, asset bases, financial positions/performance and prospects. We noted that none of the Privatisation Precedents were with the same business combination as the Company. In addition, the Privatisation Precedents had different market capitalisation and trading liquidity and were conducted at periods of different economic and financial market cycles which would result in different considerations for their investors. For the reasons above, we are of the view that comparison analysis with the Privatisation Precedents is not applicable. Accordingly, we consider the analysis in the paragraphs (i) to (vii) above to be more relevant for the Independent H Shareholders.

RECOMMENDATION

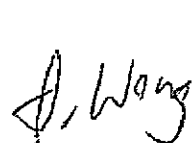
Having considered the principal factors set out above, in particular, the following:

- (i) the Cancellation Price represents a premium of approximately 15.13% over the closing price of the H Shares as quoted on the Stock Exchange on the Last Trading Date and approximately 44.63% over the average closing price of the H Shares during the 30 trading days up and including the Last Trading Date respectively;
- (ii) the Cancellation Price represents a premium of approximately 5.42% over the closing price of the H Shares as at the Latest Practicable Date;
- (iii) the Cancellation Price have been above the closing prices of the H Shares throughout the Review Period;
- (iv) the trading liquidity of the H Shares is low and disposal of a large number of H Shares by Independent H Shareholders in the open market may have adverse impact on the price of H Shares;
- (v) the P/E Ratio of approximately 11.70 times implied by the Cancellation Price is above the P/E Ratios of the two profit-making Electronic Comparables and comparable to the mean P/E Ratio of the Property Comparables respectively;

- (vi) the P/S Ratio (being an alternative way to value the Company and the Electronic Comparables when majority of which were loss-making) of approximately 1.50 times implied by the Cancellation Price is above all the P/S Ratios of the Electronic Comparables;
- (vii) the P/B Ratios implied by the Cancellation Price over (i) the audited net asset value per Share of approximately 0.65 time based on the audited net assets of the Company as at 31 December 2021 according to the 2021 Annual Report; (ii) the unaudited net asset value per Share of approximately 0.65 time based on the unaudited net assets of the Company as at 30 June 2022 according to the 2022 Interim Report; and (iii) the Adjusted Unaudited NAV per Share of approximately 0.45 time are above mean and median P/B Ratios of the Property Comparables; and
- (viii) the future prospects of the Group's business may remain uncertain in view of the impact by the trade conflict between the PRC and U.S. and spread of COVID-19 as detailed above,

we consider that the terms of the Merger Agreement (including the Cancellation Price) are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent H Shareholders to vote in favour of the resolution(s) in respect of the Merger at the H Share Class Meeting and the EGM respectively.

Yours faithfully,
For and on behalf of
Sorrento Capital Limited



Aaron Wong
Managing Director



Wesker Poon
Managing Director

Note: Mr. Aaron Wong is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than nine years of experience in corporate finance and investment banking. Mr. Wesker Poon is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than ten years of experience in corporate finance and investment banking. Both Mr. Aaron Wong and Mr. Wesker Poon have participated in and completed various advisory transactions in respect of the Takeovers Code.