ALTUS CAPITAL LIMITED
21 Wing Wo Street, Central, Hong Kong

Tel : (852) 2522 6122
Fax : (852) 2522 6992
E-mail Address:
mail@altus.com.hk

11 April 2025

To the Independent Board Committee

Goldlion Holdings Limited
7th floor,
Goldlion Holdings Centre,
13–15 Yuen Shun Circuit,
Siu Lek Yuen,
Shatin, New Territories,
Hong Kong

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Proposal and the Scheme. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee as set out in the announcement of the Company dated 27 January 2025. Details of the Proposal and the Scheme are set out in "Part III — Letter from the Board" and "Part VI — Explanatory Statement" contained in the Scheme Document dated 11 April 2025, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

香港中環永和街21號

The Proposal

Pursuant to the Announcement dated 17 December 2024, the Offeror and the Company jointly announced that on 2 December 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 673 of the Companies Ordinance, which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the Offeror Concert Parties and the withdrawal of listing of the Shares from the Stock Exchange. As disclosed in the Scheme Document, all Scheme Shareholders are also Independent Shareholders as at the Latest Practicable Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises the non-executive Director and all the independent non-executive Directors, namely Mr. Li Ka Fai, David, Ms. Lo Wing Sze, Mr. Chan Kwong Ming, Johnny and Mr. Ng Ming Wah, Charles, has been established by the Board to advise the Scheme Shareholders in connection with the Proposal and the Scheme, and in particular as to (i) whether the Proposal and the Scheme are fair and reasonable; and (ii) voting in respect of the Scheme at the Court Meeting and the General Meeting.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser in relation to the Proposal and the Scheme, our role is to advise the Independent Board Committee as to (i) whether the Proposal and the Scheme are fair and reasonable so far as the Scheme Shareholders are concerned; and (ii) whether the Scheme Shareholders should vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the commencement of the Offer Period.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in relation to the Proposal and the Scheme.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the annual results announcement of the Company for the year ended 31 December 2024 (the "**2024 Annual Results Announcement**"); (iii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (iv) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date and up to the date of the General Meeting.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Scheme Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders as a result of the Proposal and the Scheme. In particular, the Scheme Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background of the Group

The Company has been listed on the Main Board of the Stock Exchange since 18 September 1992. The Group is principally engaged in the (i) distribution and manufacturing of garments, leather goods and accessories in the PRC (including Hong Kong) and Singapore and granting of licenses of its brand name for distribution of shoes, leather goods and accessories ("**Apparel Business**"); and (ii) property investment and development in the PRC (including Hong Kong) and Singapore ("**Property Business**").

Apparel Business

The Apparel Business is conducted principally in the PRC (including Hong Kong) and Singapore.

In the PRC, the Group conducts its apparel operation through wholesaling to distributors in various cities and provinces, primarily through self-operated retail shops and factory outlets located mainly in Guangzhou, Shanghai, Beijing, Chongqing, Liaoning, Jilin and Shandong, as well as through e-commerce and custom ordering. The Group also grants licenses of its brand name for distribution of shoes, leather goods, undergarments and casual wear in the PRC. The Group currently operates five Goldlion shops and six counters in Singapore.

Property Business

The Property Business involves investments in properties in the PRC, Hong Kong and Singapore. Its key investment properties include the Goldlion Holding Centre in Shatin, Hong Kong, the Goldlion Digital Network Centre in Guangzhou, the PRC and the Goldlion Commercial Building in Shenyang, the PRC.

There is currently a property development project "Goldlion Garden" in Meixian, the PRC which include high-rise buildings with an aggregate of 976 residential units. The construction was completed in end 2024 and as at 31 December 2024, 698 units remained to be sold.

Besides the above, the Group established a new energy company engaging in photovoltaic business in the PRC in 2023. As the investment was only recently completed, only minimal electricity sales income has been recorded.

1.2 Historical financial performance of the Group

Set out below is a table summarising certain key financial information of the Group for its financial years ended 31 December ("**FY**") 2022, 2023 and 2024 ("**FY2022**", "**FY2023**" and "**FY2024**"), as extracted from the 2023 Annual Report and the 2024 Annual Results Announcement.

Selected items of Consolidated Income Statement

Consolidated income statement

	FY2024 *HK$'000* (audited)	**FY2023** *HK$'000* (audited)	**FY2022** *HK$'000* (audited)
Turnover	**1,219,113**	**1,331,456**	**1,415,709**
— *Apparel Business in PRC & Hong Kong*[(note)]	*948,530*	*1,010,560*	*1,047,509*
— *Apparel Business in Singapore*	*33,866*	*35,674*	*34,703*
— *Property Business*	*247,921*	*297,377*	*344,449*
— *Intersegment elimination*	*(11,204)*	*(12,155)*	*(10,952)*
Cost of sales	(524,132)	(572,941)	(645,919)
Gross profit	**694,981**	**758,515**	**769,790**
Gross profit margin	57.0%	57.0%	54.4%
Other losses	(27,362)	(47,066)	(57,110)
Selling and marketing costs	(431,341)	(447,488)	(406,197)
Administrative expenses	(155,777)	(162,187)	(153,775)
Operating profit	**80,501**	**101,774**	**152,708**
Interest income	25,681	27,402	22,725
Interest expense	(1,516)	(1,743)	(1,293)
Profit before income tax	**104,666**	**127,433**	**174,140**
Income tax expense	(11,560)	(11,269)	(19,678)
Profit for the year	**93,106**	**116,164**	**154,462**

Note: This includes licensing income from Apparel Business.

FY2023 vs FY2022

The Group recorded a decrease in turnover of about 6% in FY2023 compared with FY2022 due mainly to lower sales of properties (which decreased from HK$139.0 million in FY2022 to HK$92.6 million in FY2023) and lower licensing income from Apparel Business (which decreased from HK$112.9 million in FY2022 to HK$93.1 million in FY2023). Cost of sales decreased by a larger extent of about 11%, resulting in an improvement of gross profit margin. Such improvements were attributed to (i) the higher margin of Apparel Business as the proportion of sales from self-operated retail sales increased; and (ii) lower amount of provision for impairment of inventories. Consequently, gross profit decreased by a smaller extent of 1.5% to HK$758.5 million in FY2023.

Other losses, which were related to fair value losses on investment properties, were 18% lower in FY2023. Selling and marketing costs which mainly consisted of manpower costs for sales staff, rental expenses of the sales outlets, operating costs for e-commerce sales platforms, advertising and promotion, and relevant marketing expenses and tax fees relating to the Meixian property development project, increased by about 10% in FY2023 due to lower base figure for FY2022 as certain promotional activities planned in FY2022 were delayed or cancelled because of anti-pandemic measures. Administrative expenses, which mainly consisted of manpower costs for non-sales staff, depreciation, amortisation and impairment charges, and other miscellaneous expenses, were about 5% higher in FY2023, similarly due to lower base figure for FY2022 as it was impacted by the pandemic.

Consequently, due mainly to the combined effects of the Group having lower gross profit while recording increases in selling and marketing costs as well as administrative expenses, operating profit decreased by over 30% in FY2023 compared with FY2022. Due to higher net interest income from higher deposit interest rates as well as lower income tax expenses after offsetting the reversal of tax for fair value losses on investment properties, profit attributable to owners decreased by a lesser extent of about 25%.

FY2024 vs FY2023

Total revenue decreased by about 8% in FY2024 compared to FY2023 due mainly to lower sales of Apparel Business in the PRC as operating environment remained difficult with declining consumption as economic downturn continued. More specifically, sales to wholesaling distributors in RMB, which accounted for the largest proportion of Apparel Business in PRC, decreased by 9% during FY2024; turnover from licensing fee also decreased by 10% from HK$93.1 million in FY2023 to HK$84.1 million in FY2024. Meanwhile, Apparel Business in Singapore remained loss making during FY2024. Turnover from Property Business decreased due to (i) lower rental income and building management fees as vacancy rates increased; and (ii) sluggish property sales from development project during FY2024.

Cost of sales decreased along with lower turnover with overall gross profit margin remained stable at 57% in FY2024 compared with FY2023. More specifically, gross profit margin for Apparel Business (excluding impairment of inventories) improved slightly; this was offset by lower gross profit margin from property sales.

Fair value losses on investment properties continued to be recognised during FY2024 although the amount was 42% lower compared with FY2023. Fair value losses were mainly recognised from property holdings in the PRC, especially in respect of the Goldlion Digital Network Centre. Both sales and marketing costs, as well as administrative expenses, decreased slightly by 4% respectively, Consequently, operating profit decreased by about 21%. With net interest income having decreased by 6% in FY2024 while income tax expenses remained at similar levels, profit for FY2024 decreased by about 20% compared with FY2023.

Overall, we observed that the Group's turnover had been on a down trend with both Apparel Business and Property Business recording lower turnover from FY2022 to FY2024. The Apparel Business was affected by weak retail consumption while the Property Business was affected by weak property sales amidst the real estate crisis in the PRC (for discussions relating to the apparel industry and property market where the Group operates, please refer to the section headed "1.4 Industry and outlook of the Group" below). Real estate market weakness also resulted in continuous recognition of fair value losses on investment properties in FY2022 up to during FY2024. Due to the above, while the Group had been able to remain profitable, the level of profit had experienced substantial decline.

Selected items of Consolidated Balance Sheet

Consolidated balance sheet

		As at	
	31 December 2024	**31 December 2023**	**31 December 2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets			
Property, plant and equipment	211,196	181,107	145,273
Right-of-use assets	74,445	92,222	87,053
Investment properties	2,604,529	2,686,658	2,775,582
Others	55,889	55,873	62,910
Total non-current assets	2,946,059	3,015,860	3,070,818
Current assets			
Property under development	164,630	103,214	767,938
Completed properties	590,795	651,481	—
Inventories	217,723	201,634	204,578
Bank deposits, cash and cash equivalents and restricted cash	1,051,846	1,088,801	1,176,876
Others	175,424	220,766	270,577
Total current assets	2,200,418	2,265,896	2,419,969
Current liabilities			
Trade and other payables and accruals	(222,875)	(207,075)	(275,027)
Contract liabilities	(139,535)	(211,129)	(269,118)
Others	(24,708)	(29,639)	(42,683)
Total current liabilities	(387,118)	(447,843)	(586,828)

	As at		
	31 December 2024	31 December 2023	31 December 2022
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current liabilities			
Lease liabilities, other payables and accruals	(55,684)	(53,824)	(57,200)
Deferred income tax liabilities	(354,392)	(375,325)	(399,376)
Total non-current liabilities	(410,076)	(429,149)	(456,576)
Net Assets attributable to owners of the Company	4,347,155	4,404,764	4,447,383
Non-controlling interests	2,128	—	—
Net Assets	**4,349,283**	**4,404,764**	**4,447,383**

The Group's non-current assets comprised principally investment properties in Hong Kong and the PRC. Property, plant and equipment comprised mainly self-used factories, retail outlets and offices. Its non-current assets had maintained generally stable as at 31 December 2022, 31 December 2023 and 31 December 2024 with nominals decreases owing to declining fair value of its investment properties.

The Group's current assets comprised principally cash holdings in the form of bank deposits, cash and cash equivalents and restricted cash; and to a lesser extent, completed properties for sale. Current assets had decreased by close to 10% from HK$2.42 billion as at 31 December 2022 to HK$2.20 billion as at 31 December 2024 as its cash holdings decreased. We note that following completion of construction of the development project in Meixian over the years, property under development was converted into completed properties.

The Group did not have any bank loans nor overdrafts. Its liabilities comprised mainly deferred income tax liabilities, contract liabilities and payables. Both current and non-current liabilities of the Group had been declining between 31 December 2022 and 31 December 2024. As a combination of the above, the Group's net assets had maintained largely stable at around HK$4.4 billion level.

Overall, the Group had maintained a stable financial position and strong liquidity position. This should allow it to weather the current economic downturn which has negatively impacted both segments of its businesses in the past two financial years.

Calculation of the Adjusted NAV per Share

Reference is also made to the valuations of the property interests of the Group as at 31 January 2025 conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (in respect of the property interests in the PRC (including Hong Kong)) and Jones Lang LaSalle Property Consultants Pte Ltd (in respect of the property interests in Singapore) respectively, each an independent property valuer appointed by the Company, details of which are set out in Appendix II to the Scheme Document (the "**Property Valuation Reports**"). We note that the principals who are responsible for signing off the relevant Property Valuation Reports possessed proper qualification. Based on our review of the Property Valuation Reports and underlying workings, and our interview with the independent property valuers who have confirmed their independence from the Company, we are of the view that (i) the valuation approaches are commonly adopted and in line with the market practice, where in general, (a) for properties held for sale and owner-occupied properties, market comparison approach is being adopted by making reference to comparable sales transactions as available in the market; (b) for properties leased out for rental income, income approach is being adopted to take into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for potential upward or downward reversionary; and (c) for other properties the nature of which are unlikely to have relevant market comparable sales (i.e. cultural and sports activity center and sales center portion), cost approach is being adopted by making reference to their depreciated replacement cost; and (ii) the principal bases and assumptions adopted in the Property Valuation Reports are appropriate, with the property valuations being carried out on a market value basis as defined by International Valuation Standards Council (IVSC) and prepared in accordance with, amongst others, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the relevant requirements set out in the Listing Rules and the Takeovers Code.

As illustrated in the paragraph headed "5. Property interests and adjusted net asset value" set out in "Appendix I — Financial information of the Group" contained in the Scheme Document, set out below is the calculation of the Adjusted NAV per Share taking into account the effect of the net revaluation surplus attributable to owners of the Company arising from the valuations of the Group's properties interests as set out in the Property Valuation Reports.

	HK$'000
Audited NAV as at 31 December 2024	4,347,155
Adjustments:	
— Net revaluation surplus attributable to owners of the Company	492,906
— Estimated deferred tax on revaluation surplus	(167,163)
Adjusted NAV	4,672,898
Number of Shares as at the Latest Practicable Date	973,844,035
Adjusted NAV per Share *(HK$)*	4.7984

1.3 Dividends

The table below illustrates the Company's historical dividend to shareholders and the payout ratio (being dividend per Share over earnings per Share) during the past ten years ended 31 December 2024. For reference only, we have also set out the payout ratio calculated based on the Group's underlying earnings, which exclude the effect of fair value gains or losses after tax on investment properties.

Year ended	**Dividend per Share** *(HK$)*	**Earnings per Share** *(HK$)*	**Payout ratio**	**Underlying earnings per Share** *(note 1)* *(HK$)*	**Payout ratio** *(Note 2)*
31 December 2024	0.020	0.0956	20.9%	0.1143	17.5%
31 December 2023	0.075	0.1187	63.2%	0.1517	49.4%
31 December 2022	0.085	0.1573	54.0%	0.1964	43.3%
31 December 2021	0.110	0.2251	48.9%	0.2382	46.2%
31 December 2020	0.095	0.1510	62.9%	0.1990	47.7%
31 December 2019	0.150	0.3116	48.1%	0.2621	57.2%
31 December 2018	0.195	0.3831	50.9%	0.2928	66.6%
31 December 2017	0.185	0.3281	56.4%	0.2451	75.5%
31 December 2016	0.195	0.3959	49.3%	0.2424	80.5%
31 December 2015	0.210	0.4092	51.3%	0.2517	83.4%

Notes:

(1) Underlying earnings is based on the profit attributable to owners of the Company excluding the fair value gains or losses after tax on investment properties, as extracted from the Company's respective annual reports/annual results announcements.

(2) This payout ratio is calculated based on underlying earnings per Share.

The Company had consistently distributed dividends to its shareholders over the past ten years ended 31 December 2024, with total dividend payout amounted to HK$1.320 per Share and payout ratio ranging from approximately 20.9% to 63.2%. If excluding the effect of fair value gains or losses after tax on investment properties, the payout ratio would have ranged from approximately 17.5% to 83.4%. The payout ratio for the year ended 31 December 2024 was relatively low as no final dividend was proposed for the year.

We note that the Company established a dividend policy and adopted it on 6 June 2019 setting out principles and guidelines that the Company intends to apply when recommending or declaring dividends. Under the aforesaid dividend policy, the Board will take into account a number of factors when considering the declaration and distribution of dividends, including the Group's financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. In addition, the Group shall maintain adequate cash reserves to meet its working capital requirements, future business expansion and its shareholding value in recommending or declaring dividends.

We observe that the dividends paid had reduced over the past few years, likely reflecting the precarious and difficult operating environment the Group had faced. As further discussed in the sections headed "1.2 Historical financial performance of the Group" above and "1.4 Industry and outlook of the Group" below, the Group's level of profit had experienced substantial decline and the operating environment of the Group's businesses are expected to remain uncertain and challenging in the near future. Based on such trend and in view of the prevailing market conditions, the payout ratio and absolute amount of dividend to be declared and paid may remain at lower levels in the near term.

1.4 Industry and outlook of the Group

The Apparel Business is mainly conducted in the PRC and Hong Kong. Sales contribution from Singapore is nominal. For the Property Business, the investment properties in Hong Kong comprise principally properties for industrial and office use while those in the PRC are mainly office and commercial buildings. The Group also has a residential development project in the PRC. On this basis, we have conducted independent research on the apparel industry in the PRC, the commercial and industrial property markets in Hong Kong and the commercial and residential property markets in the PRC.

Apparel Business

We have conducted independent research and noted that The China National Garment Association ("**CNGA**") has issued a report analysing the economic operating environment of the apparel industry in the PRC during 2024 ("**CNGA Report**"). CNGA was founded in 1991 and is a key industry body that supports the development of the PRC's garment sector, acting as a bridge between the government, the industry, and its members. CNGA has over 1,100 members, including major brands and manufacturers, and it plays an important role in enhancing collaboration, brand building, and international exchange.

It is reported in the CNGA Report that since 2024, the apparel industry in the PRC has been striving to overcome challenges such as weak market sentiments and intensified competition in the supply chain. According to data from the National Bureau of Statistics ("**NBS**"), growth was recorded in 2024 in terms of overall garment production for domestic market and for exports, underpinned by growth of knitted apparel. Production of woven apparel had however decreased, with production of suits and shirts having decreased by 2.9%, and 5.8% respectively.

According to the CNGA Report, during 2024, the growth of PRC's domestic apparel market was suppressed due to lingering negative consumer sentiments and increased market competition. According to data from NBS, retail sales of apparel goods recorded nominal year-on-year increase of 0.1% during 2024. This was substantially lower than the growth rate in 2023.

Looking ahead in 2025, the apparel industry is expected to gradually stabilise with the support of government stimulus gradually taking effect and the gradual recovery of domestic and international market demand. However, the issues with insufficient overall consumer demand, intense market competition as well as rising global trade uncertainties are expected to persist. Substantial challenges to the apparel industry (including the licensing of apparel brand names) therefore remain.

Property Business

We have conducted independent research on the real estate markets in the PRC and Hong Kong where the Group's investment and development properties are located.

Hong Kong

For our independent research on Hong Kong's office and industrial property markets, we have reviewed a report issued by CBRE Research titled "2025 Hong Kong Real Estate Market Outlook" ("**HK Report**"). CBRE Research is part of CBRE Group, Inc which is listed on the New York Stock Exchange and according to its annual report, CBRE Group, Inc is the world's largest commercial real estate services and investments firm. It maintains an extensive research and data platform and counts nearly 90% of Fortune 100 companies and many of the world's largest institutional real estate investors as its clients. We noted that CBRE Research regularly issues market reports on global and regional markets for comprehensive range of property types including office, residential, hotels, industrial and logistics as well as retail, and their findings and forecasts are quoted by news media.

The HK Report stated that vacancy rates of offices had continued to rise, and landlords have had to become more flexible where alongside direct rental reductions, additional incentives such as reinstatement waivers were being offered. Overall, office rental in Hong Kong fell by 6.3% compared with 2023. For 2025, CBRE Research expects demand for offices to improve slightly but vacancy is set to further increase, causing rental rates to drop by 5% to 10%. The drop will primarily be led by decentralised submarkets.

In respect of industrial properties, CBRE Research stated that in 2024, warehouse occupiers continued to be cost-conscious. As landlords were willing to provide incentives for tenants to stay, relocation demand declined. During 2024, overall warehouse rents fell by 4.6% year-on-year. CBRE Research expects a combination of weak demand and higher number of lease expiries to push up vacancies and result in warehouse rents to decline by up to 5% in 2025.

The PRC

For our independent research on PRC's commercial and residential property markets, we have reviewed a report issued by Savills on the "2025 Chinese Real Estate Market Outlook" ("**PRC Report**"). Savills, listed on the London Stock Exchange, advises on commercial, residential, rural and leisure property. It also provides corporate finance advice, investment management and a range of property-related financial services. Its services span globally, with over 40,000 experts working across more than 700 offices. Savills regularly issues market reports on global and regional markets and their reports are frequently quoted by news media.

The PRC Report stated that for the PRC office sector in 2025, tenants will increasingly focus on cost-efficiency and will use negotiation of lease renewals to achieve this. The protracted rent decline may trigger potential demand for office upgrades and space expansion from tenants. Savills predicts that vacancy rates in most PRC cities will continue to rise moderately in 2025. Due to abundant supply, 2025 will remain a tenant-driven market and this may stimulate more tenants to move from lesser grade office buildings to Grade A buildings.

Savills expects that the PRC residential sector will undergo a moderate recovery in 2025 after having experienced a four-year adjustment period. The policy tone has shifted toward stabilising the real estate market, with a series of easing policies to support the economy and the market. According to data from November and December 2024, the decline in housing prices has narrowed, bringing gradual stability to the industry. Transactions in first-tier cities have also become more active, and their performance in 2025 will be crucial to restoring overall market confidence.

Based on the above, we are of the view that performance of the Group's Apparel Business (including both distribution and manufacturing of garments, and granting of licenses of its brand name) will likely be uncertain in the near term with volatile profitability, if any. Such challenges had continued during FY2024 where turnover from wholesaling business and licensing fee experienced decline of about 9% and 10% respectively compared to FY2023. The Property Business meanwhile will continue to be subject to weakness of the commercial and industrial property rental markets in the PRC and in Hong Kong. In particular, we believe strong headwind can be expected for property sales of its residential development project. The pace of its property sales will be highly correlated to the recovery of PRC's real estate market. As at the Latest Practicable Date, according to the Management, the timing of when the Group will be able to sell all the 698 unsold units in its property development project in Meixian remains uncertain. Accordingly, the progress and extent to which the valuation assigned to this project as detailed in the Property Valuation Reports can be realised are uncertain.

2. Background information of the Offeror

2.1 The Offeror and the Offeror Concert Parties

The Offeror

The Offeror is a company incorporated in Hong Kong with limited liability. The Offeror is currently only implementing the Proposal, and its principal business is investment holding. As at the Latest Practicable Date, its sole shareholder and sole director was Mr. Tsang.

Mr. Tsang

Mr. Tsang is the executive Director, chairman and chief executive officer of the Company. As at the Latest Practicable Date, Mr. Tsang was also the sole shareholder and sole director of the Offeror.

Madam Wong

Madam Wong is the mother of Mr. Tsang.

Top Grade

Top Grade is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, (i) Top Grade was wholly-owned by Hin Chi Family Management, the trustee of Tsang Hin Chi (2007) Family Settlement; (ii) the sole director of Top Grade was Mr. Tsang; and (iii) the sole shareholder and sole director of Hin Chi Family Management was Mr. Tsang.

Tsang Hin Chi (2007) Family Settlement is a family trust established under a deed of settlement dated 4 October 2007 and made between the late Dr. Tsang Hin Chi as the settlor and Hin Chi Family Management as the trustee, the beneficiaries of which are members of the Tsang family including Mr. Tsang.

Silver Disk

Silver Disk is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, (i) Silver Disk was wholly-owned by Top Grade; and (ii) the directors of Silver Desk were Mr. Tsang and Mr. Tsang Chi Mao Jimmy (brother of Mr. Tsang).

Keysonic Development

Keysonic Development is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, (i) Keysonic Development was wholly-owned by Top Grade; and (ii) the directors of Keysonic Development were Mr. Tsang and Mr. Tsang Chi Mao Jimmy (brother of Mr. Tsang).

THC Charities Management

THC Charities Management is a company incorporated in Hong Kong with limited liability and is principally engaged as trustee of a charitable foundation. THC Charities Management is the trustee of Tsang Hin Chi Charitable Foundation. As at the Latest Practicable Date, the sole shareholder of THC Charities Management was Mr. Tsang and the directors of THC Charities Management were Mr. Tsang and Madam Wong.

The Tsang Hin Chi Charitable Foundation is a charitable trust which is exempt from tax under section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), which was controlled by Mr. Tsang as at the Latest Practicable Date.

2.2 The Offeror's intention in relation to the Company

As disclosed in the paragraph headed "11. The intentions of the Offeror in relation to the Group" under the section headed "Part VI — Explanatory Statement" of the Scheme Document, as at the Latest Practicable Date, it is the intention of the Offeror for the Group to continue to carry on its existing businesses, and the Offeror had no intention, upon the Scheme becoming effective, to make any material changes to the business and/or disposal or redeployment of assets of the Group, or to make any significant changes to the management of the Company or employment of employees of the Group as a result of the implementation of the Proposal.

As disclosed in the paragraph headed "12. Withdrawal of the listing of the Shares" under the section headed "Part VI — Explanatory Statement" of the Scheme Document, the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect after the Effective Date.

3. Rationale of the Proposal from the perspectives of the Company and the Scheme Shareholders

We have considered the rationale of the Proposal from the perspectives of the Scheme Shareholders as well as the Company as follows:

3.1 From the perspective of the Scheme Shareholders

Opportunities to realise investment in the Company at premium to prevailing market price

The Cancellation Price is at substantial premium to recent market trading price of Shares as analysed in the section headed "4.1 Historical price performance of the Shares" below. Per our analysis on historical price trend, it is noted that the Share price has not reached the level of the Cancellation Price during the entire Review Period (as defined below), and that it represents a substantial premium of approximately 39.7% over the average closing prices of the Shares during the Review Period. Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the closing prices of the Shares had remained at levels below the Cancellation Price.

Despite the upward movements in the broader equity market as represented by the Hang Seng Index, the Share price performance has remained sluggish with minimal movement for prolonged period of time prior to the recent hike in Share price, which occurred only around the time of publication of the Announcement. We believe the current market trading prices of Shares are underpinned by the presence of the Proposal and the absence or lapse of the Proposal may cause price of the Shares to retreat to levels before the Announcement. Therefore, we concur with the Management that the Proposal offers Scheme Shareholders a reasonable opportunity to sell their Shares at a premium to prevailing market price.

Opportunity to realise investment in the Company regardless of shareholding size

The Company pointed out that the trading liquidity of the Shares has been low, making it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

Per our analysis on the trading liquidity of the Shares as discussed in the section headed "4.2 Trading liquidity of the Shares" below, we note that the trading activities in Shares were generally illiquid over the Review Period and the Scheme Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of Shares on the market may result in downward pressure on the market price of Shares.

In this respect, we concur that the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Company with the certainty of return. We noticed substantial increase in trading liquidity for a couple of days before and after the Announcement. We believe such relatively high volume was similarly triggered by presence of the Proposal and may not be sustainable in the absence of the Proposal.

Uncertainties on business outlook of the Group

As discussed in the sections headed "1.2 Historical financial performance of the Group" and "1.4 Industry and outlook of the Group" above, the Group's profitability had declined from FY2022 to FY2024. Meanwhile, we note that on one hand, substantial challenges remain in the apparel industry due to overall weak consumer demand and rising global trade uncertainties; on the other hand, while the property markets in the PRC and Hong Kong appear to have stablised, they yet remain uncertain, with signs of recovery still to be seen.

We are of the view that, unless specific Scheme Shareholders somehow hold opposing views on the outlook of the industries and/or the Group as reported above, the Proposal represents an opportunity to exit their investments in the Company amidst this period of uncertainties affecting the Group's Apparel Business and the Property Business.

3.2 From the perspective of the Company

Avoid the costs associated with maintaining a listing platform and flexibility in formulating long term strategic decisions

Since the Company's listing on the Main Board of the Stock Exchange, the Management advised that the depressed price level and low trading activities of Shares has limited the Company's ability to conduct equity financing to support its business operation and development. In fact, we noted that the Company has not conducted any fund raising through the issuance of Shares or other listed securities in the past ten years.

We consider that given the primary objectives of a listed platform is public equity fund raising; with such ability curtailed, the costs associated with the maintenance of the listing status of the Company may no longer be justifiable. Upon completion of the Proposal, the Company can expect to reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

In addition, as a private company without having to manage short term public investor expectations, the Company will have more flexibility in implementing long-term strategies in a more cost-efficient manner.

3.3 Section summary

In summary, the Proposal (i) on one hand provides the opportunity for the Scheme Shareholders to realise their investment in the Company at substantial premium to prevailing market price with certainty, amidst low trading liquidity of the Shares; and (ii) on the other hand, completion of the Proposal will allow the Company to avoid further costs in maintaining a listing status which has lost its primary function as a fund-raising platform.

4. The Cancellation Price

The Cancellation Price of HK$1.5232 in cash for every Scheme Share cancelled under the Scheme represents:

(a) a premium of:

(i) approximately 4.33% over the closing price of HK$1.46 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) approximately 24.85% over the closing price of HK$1.22 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) approximately 71.15% over the closing price of HK$0.89 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

(iv) approximately 77.53% over the average closing price of approximately HK$0.86 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Full Trading Day;

(v) approximately 76.50% over the average closing price of approximately HK$0.86 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Full Trading Day;

(vi) approximately 72.44% over the average closing price of approximately HK$0.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Day;

(vii) approximately 65.43% over the average closing price of approximately HK$0.92 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Full Trading Day;

(viii) approximately 57.32% over the average closing price of approximately HK$0.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Full Trading Day; and

(ix) approximately 49.02% over the average closing price of approximately HK$1.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 360 trading days up to and including the Last Full Trading Day; and

(b) a discount of:

(i) approximately 65.88% to the Audited NAV per Share of approximately HK$4.46 as at 31 December 2024 (calculated based on (i) the Audited NAV of approximately HK$4,347,155,000 as at 31 December 2024 as extracted from the Company's annual results announcement for the year ended 31 December 2024 and (ii) 973,844,035 Shares in issue as at the Latest Practicable Date); and

(ii) approximately 68.26% to the Adjusted NAV per Share of approximately HK$4.80 (calculated based on (i) the Adjusted NAV of approximately HK$4,672,898,000 and (ii) 973,844,035 Shares in issue as at the Latest Practicable Date).

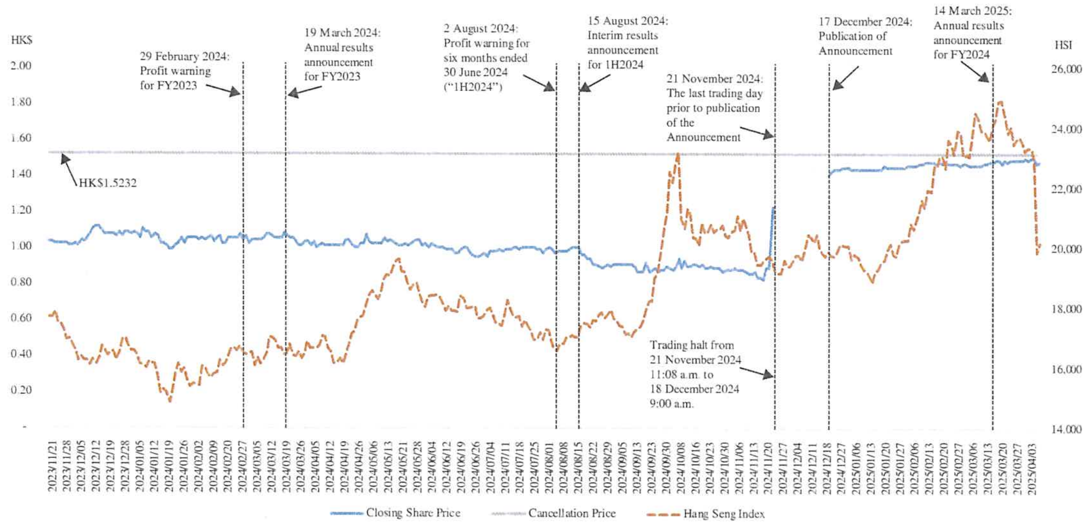
The premiums of the Cancellation Price over the closing price on the Last Full Trading Day and various closing price averages from (a)(iv) to (a)(ix) above appear substantial. While we consider analysis of privatisation precedents not relevant for the reasons explained in the section headed "6. Privatisation precedents" below, for illustrative purposes for example, we note that of the 17 successful privatisation transactions which scheme documents were issued in 2024, the premium of their cancellation prices over their last trading date prices had ranged from nil to 162.8% with an average of 51.8% and median of 33.3%. Only five transactions out of 17 had relevant premiums which were higher than the 71.15% recorded in (a)(iii) above. For the full list of 17 successful privatisation transactions as mentioned above, please refer to the section headed "6. Privatisation precedents".

We note that when comparing with the Group's Audited NAV per Share as at 31 December 2024 and the Adjusted NAV per Share, the Cancellation Price represents discounts of approximately 65.88% and 68.26% respectively to the aforementioned figures. In this regard, we have examined the historical trading pattern of the closing price of Share relative to its Audited NAV per Share during the Review Period (as defined below) and observed that the Share closing price had consistently traded at varying levels of discount to Audited NAV per Share, ranging from discounts of approximately 66.8% to 81.4%. We therefore consider that the aforementioned discounts of Cancellation Price to Audited NAV per Share as at 31 December 2024 and the Adjusted NAV per Share, which are respectively less than and close to the low end of the range of discounts represented by historical Share closing prices during the Review Period, imply that the market has persistently valued the Company below its net asset value and the Cancellation Price offers an opportunity for the Scheme Shareholders to realise their investments in the Company at a price higher than what the market generally offers, to be justifiable.

According to the paragraph headed "2. Terms of the Proposal" under the section headed "Part VI — Explanatory Statement" of the Scheme Document, the Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

4.1 Historical price performance of the Shares

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing from 21 November 2023 (which is 12 months prior to the Last Trading Day) to the Last Trading Day ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**"). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors' reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Cancellation Price.



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

During the Review Period, the highest and lowest closing prices of the Shares were HK$1.48 per Share recorded on 31 March 2025 and 2 and 3 April 2025, and HK$0.83 per Share recorded on 18 November 2024 respectively. The average daily closing price per Share over the Review Period was approximately HK$1.09 per Share. The Cancellation Price, being HK$1.5232 per Scheme Share, represents a substantial premium of approximately 39.7% over such average of closing prices.

As illustrated in the graph above, the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period. During the Pre-Announcement Period, the Cancellation Price represents substantial premiums ranging from approximately 24.9% to 83.5% over the closing prices of the Shares. We note that, in general, the closing prices of the Shares remained flat during the Pre-Announcement Period (i.e. between 21 November 2023 to 21 November 2024). Since commencement of the Review Period until mid-December 2023, the Company had conducted a number of on-market Share buybacks on 18 market days, with a total of 4,217,000 Shares being bought back at buyback prices ranging from HK$1.01 per Share to HK$1.11 per Share; however, the effect appears to be nominal. The closing prices of the Shares had traded between HK$1.01 per Share and HK$1.11 per Share during the aforementioned period. Thereafter and up to mid-August 2024, the Share closing price remained relatively stable and traded between HK$0.95 per Share and HK$1.10 per Share. During the aforementioned period (i.e. between 18 December 2023 to 15 August 2024), the Company announced profit warnings for FY2023 and the six months ended 30 June 2024 ("**1H2024**") on 29 February 2024 and 2 August 2024 respectively. Subsequent to the Company's publication of its interim results announcement for 1H2024 on 15 August 2024, the Share closing price was on a slight downward trend and reached its lowest at HK$0.83 per Share on 18 November 2024. Immediately preceding the suspension of trading of the Shares at 11:08 a.m. on 21 November 2024, the Share closing price surged from HK$0.89 per Share on the Last Full Trading Day to HK$1.22 per Share on the Last Trading Day.

During the Post-Announcement Period, and when the trading of the Shares resumed at 9:00 a.m. on 18 December 2024 following the publication of the Announcement in relation to the Proposal, the Share closing price increased to levels close to the Cancellation Price. As at the Latest Practicable Date, the Share price closed at HK$1.46 per Share. We are of the view that the current Share prices are underpinned by the presence of the Proposal and the absence or lapse of the Proposal may cause price of the Shares to retreat to levels before the Announcement.

Overall, considering the Cancellation Price is higher than the closing prices of the Shares during the entire Review Period, and that it represents a substantial premium of approximately 39.7% over the average of closing prices of the Shares during the Review Period, we are of the view that the Cancellation Price is fair and reasonable from the point of view of the historical trading price of the Shares.

4.2 Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Scheme Shareholders during the Review Period.

Month	**Number of trading days**	**Average daily trading volume** *(number of Shares)*	**Approximate % of average daily trading volume to total number of issued Shares as at the relevant month end**	**Approximate % of average daily trading volume to total number of issued Shares held by the Scheme Shareholders**
2023				
November (from 21 November) *(note 1)*	8	431,375	0.044%	0.142%
December *(note 1)*	19	292,263	0.030%	0.096%
2024				
January	22	70,136	0.007%	0.023%
February	19	168,000	0.017%	0.055%
March	20	168,700	0.017%	0.055%
April	20	127,165	0.013%	0.042%
May	21	258,714	0.027%	0.085%
June	19	125,842	0.013%	0.041%
July	22	133,545	0.014%	0.044%
August	22	121,180	0.012%	0.040%
September	19	109,105	0.011%	0.036%
October	21	332,381	0.034%	0.109%
November (up to the Last Trading Day) *(note 2)*	15	2,063,667	0.212%	0.678%
December (from 18 December) *(note 2)*	8	5,524,125	0.567%	1.815%
2025				
January	19	442,000	0.045%	0.145%
February	20	715,750	0.073%	0.235%
March	21	520,905	0.053%	0.171%
April (up to the Latest Practicable Date)	5	671,972	0.069%	0.221%

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

Notes:

(1) The Company had conducted a number of on-market Share buybacks on 18 market days since commencement of the Review Period until mid-December 2023, with a total of 4,217,000 Shares being bought back at buyback prices ranging from HK$1.01 per Share to HK$1.11 per Share.

(2) The Shares were suspended for trading from 11:08 a.m. on 21 November 2024 to 9:00 a.m. on 18 December 2024.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares; and (ii) the total number of Shares held by the Scheme Shareholders, ranged from approximately 0.007% to approximately 0.567% and approximately 0.023% to approximately 1.815% respectively. The average daily trading volume of the Shares during the Pre-Announcement Period was approximately 295,920 Shares, representing approximately 0.030% of the total number of issued Shares and approximately 0.097% of the total number of Shares held by the Scheme Shareholders as at the Last Trading Day.

We note that the trading volume of Shares increased after the publication of the Announcement where during the Post-Announcement Period, the average daily trading volume of Shares amounted to approximately 1,112,395 Shares, representing approximately 0.114% of the total number of issued Shares and approximately 0.366% of the total number of Shares held by the Scheme Shareholders as at the Latest Practicable Date. It can be concluded that the presence of the Proposal has spurred trading activities in the Shares which otherwise had been generally illiquid during the Pre-Announcement Period.

In the absence of the Proposal, Scheme Shareholders will only be able to dispose of their Shares on-market to realise their investment in the Company. Considering the thin trading volume of Shares during the Pre-Announcement Period, Scheme Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of Shares.

4.3 Comparable analysis

Comparable analysis involves determining the relative value of a company by comparing it to other companies in the similar industries and engaged in similar business.

To assess the fairness and reasonableness of the Cancellation Price, we have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Stock Exchange and are engaged in similar businesses of the Group for comparison purpose (the "**Comparable(s)**"). Given that only one Comparable is profit-making in its latest financial year, we have also made reference to the price-to-sales ratio (the "**P/S Ratio(s)**") of the Comparables, being another commonly used valuation yardstick for analysis. In addition, considering the Property Business of the Company is asset-heavy, we have also compiled the price-to-book ratio (the "**P/B Ratio(s)**") of the Comparables for analysis.

We have set the following selection criteria for the purpose of identifying Comparables:

(i) company whose shares are listed on the Main Board of the Stock Exchange where the Company is similarly listed on;

(ii) company that possesses self-owned apparel brands; and

(iii) whose principal businesses included both (a) apparel business; and (b) property development and/or investment business (i.e. having generated revenue from both apparel sales and property-related activities or which asset compositions consist of these two segments of activities, and both businesses are classified as reportable segments in the financial statements of their respective latest published interim/ annual report), and primarily in Greater China.

Based on the above criteria, we have identified four Comparables, being Crocodile Garments Limited, High Fashion International Ltd, Huicheng International Holdings Ltd and China Ting Group Holdings Limited. The list is exhaustive based on those selection criteria above. Cognisant that there exists no company which can be of exactly the same business model, scale of operation, trading prospect, target markets, product mix and capital structure as the Company and we have not conducted any in-depth investigation into the business and operations of the Comparables save for the aforesaid selection criteria, and an observation that the proportion of revenue or asset compositions between apparel and property businesses of the Comparables may vary from year to year and may not be exactly the same as the Group, we believe that the Comparables selected are appropriate to serve as a benchmark reference for our comparable analysis purpose, which reflects the prevailing market sentiment towards this business sector and business models for companies similarly engaged in both the apparel and property businesses, and which are also listed on the same platform (i.e. Main Board of the Stock Exchange).

Our relevant findings are summarised in the following table:

Stock code	Company name	Principal business	Segment information	Market capitalisation[(1)] *(HK$'000)*	Revenue[(2)] *(HK$'000)*	Net profit/ (loss)[(3)] *(HK$'000)*	Net asset value[(4)] *(HK$'000)*	P/E Ratio[(5)] *(times)*	P/B Ratio[(6)] *(times)*	P/S Ratio[(7)] *(times)*
122	Crocodile Garments Limited	Crocodile Garments Limited (**"Crocodile"**) is a Hong Kong-based investment holding company principally engaged in garment businesses. The company operates through three segments. Garment and related accessories segment is engaged in the retailing and wholesales of fashion apparel and the manufacture of garment. Its products include shirts, outwears, pants and accessories, such as belts, scarves, shoes and bags. Property investment and letting segment is engaged in the investment and letting of properties. Trading of securities segment is engaged in the trading of securities. The company's self-owned brands mainly include "Crocodile" and "CROCO".	During the latest financial year, the revenue generated from Crocodile's garment and related accessories segment accounted for 45.9% of its total revenue, while revenue generated from its property investment segment comprised approximately 54.1% of the total revenue during the same period. Its treasury management segment did not generate any revenue during the same period. According to Crocodile's latest annual report, the assets of its garment and related accessories segment and the property investment segment accounted for approximately 8.3% and 85.8% of its total segment assets respectively. The assets of the treasury management segment accounted for approximately 5.9% of its total segment assets.	144,974	86,876	(108,786)	1,423,947	N/A	0.10	1.67

Stock code	Company name	Principal business	Segment information	Market capitalisation[1] (HK$'000)	Revenue[2] (HK$'000)	Net profit/ (loss)[3] (HK$'000)	Net asset value[4] (HK$'000)	P/E Ratio[5] (times)	P/B Ratio[6] (times)	P/S Ratio[7] (times)
608	High Fashion International Ltd	High Fashion International Ltd ("**High Fashion**") is an investment holding company principally engaged in the manufacture of garments. The company operates its business through three segments. The manufacturing and trading of garments segment is engaged in the manufacture and trading of men's and women's clothes. The brand business segment is engaged in the retailing of branded products through online order sales. The property investment and development segment is engaged in the development and investment of properties. The company's self-owned brands primarily include "Theme", "August Silk", "CSLR", "Axelledesoie", "Susan Carlington", "Camellia Blooms", "Ai Si" and "SILKISM".	During the latest financial year, High Fashion generated approximately 96.5% of its total revenue from its manufacturing and trading of garments segment, with the remainder generated from its property investment and development segment. Segment information disclosed in High Fashion's latest annual report or interim report only includes information related to its segment revenue/profits. Notwithstanding this, we note from High Fashion's latest interim report that the aggregate of its investment properties and properties held for sale accounted for approximately 54.2% of its total assets.	501,209	3,336,832	91,681	3,091,058	5.47	0.16	0.15
1146	Huicheng International Holdings Ltd	Huicheng International Holdings Ltd ("**Huicheng**"), formerly China Outfitters Holding Ltd, is an investment holding company primarily engaged in the sale of apparel products and accessories. The company operates its business through two segments. The apparel products and accessories segment is engaged in the design, manufacture, marketing and sale of apparel products and accessories with a focus on menswear. The property development segment is engaged in the business of the development properties. The company is the master licensee for the Santa Barbara Polo & Racquet Club (SBPRC) brand in Mainland China, Hong Kong and Macau, obtaining rights to manufacture, sell, distribute, market, and promote licensed products bearing the SBPRC trademarks, as well as to sublicense these rights to other third parties. The company's self-owned brands primarily include "London Fog", "Zoo York", "MCS", "Henry Cotton's" and "Marina Yachting".	Huicheng generated all of its revenue from the apparel products and accessories segment during the latest financial year. During the same period, Huicheng did not record any revenue from the sales of properties. According to Huicheng's latest interim report, the assets of its apparel products and accessories segment and the property development segment accounted for approximately 76.4% and 23.6% of its total segment assets respectively.	210,172	167,830	(117,648)	1,045,774	N/A	0.20	1.25

Stock code	Company name	Principal business	Segment information	Market capitalisation[1] *(HK$'000)*	Revenue[2] *(HK$'000)*	Net profit/ (loss)[3] *(HK$'000)*	Net asset value[4] *(HK$'000)*	P/E Ratio[5] *(times)*	P/B Ratio[6] *(times)*	P/S Ratio[7] *(times)*
3398	China Ting Group Holdings Limited	China Ting Group Holdings Limited ("China Ting") is an investment holding company mainly engaged in the manufacture and sale of garments. The company operates its business through three segments. The OEM (original equipment manufacturer) segment is engaged in manufacture and sale of garments on an OEM basis. The retail segment is engaged in the manufacture and retailing of branded fashion apparel. The property development segment is engaged in property development in Mainland China. Through its subsidiaries, the Company is also engaged in the printing and dyeing of silk and other high quality fabrics in China. The company's self-owned brands mainly include "FINITY", "ELANIE", "RIVERSTONE", "RIVER BEAUTY" and "Trenta".	China Ting's revenue generated from its garment business, which includes the OEM segment and retail segment, accounted for approximately 96.4% of its total revenue during the latest financial year. The remaining revenue was generated from its property development segment during the same period. According to China Ting's latest interim report, the assets of its garment business and the property development segment accounted for approximately 75.8% and 24.2% of its total segment assets respectively.	243,579	1,605,353	(481,425)	1,571,668	N/A	0.15	0.15
							High end	5.47	0.20	1.67
							Low end	5.47	0.10	0.15
							Average	5.47	0.15	0.81
							Median	5.47	0.16	0.70
533	The Company[8]			1,483,359	1,219,113	93,097	4,672,898	15.93	0.32	1.22

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

Notes:

(1) Market capitalisation is calculated based on the share closing price times the total number of shares in issue as at the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.93.

(2) Revenue of the Comparables are extracted from their respective latest published annual results announcement/report prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.93.

(3) The net profit/(loss) attributable to shareholders of the Comparables are extracted from their respective latest published annual results announcement/report prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.93.

(4) The net asset value attributable to shareholders of the Comparables are extracted from their respective latest published annual/interim/quarterly results announcement/report prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of HK$1.0 = RMB0.93.

(5) P/E Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by their respective net profit as described in note 3 above.

(6) P/B Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by their respective net asset value as described in note 4 above.

(7) P/S Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by their respective revenue as described in note 2 above.

(8) The implied market capitalisation of the Company is calculated based on the Cancellation Price and 973,844,035 issued Shares. The implied P/E Ratio of the Company is calculated based on the implied market capitalisation and divided by the Group's net profit attributable to owners of the Company in FY2024. The implied P/B Ratio of the Company is calculated based on the implied market capitalisation, divided by the Adjusted NAV. The implied P/S Ratio of the Company is calculated based on the implied market capitalisation, divided by the Group's turnover in FY2024.

As shown in the above table, from a P/E Ratio perspective, the valuation of the Company, based on the implied market capitalisation arrived at using the Cancellation Price, results in an implied P/E Ratio of approximately 15.93 times. This is significantly higher than the P/E Ratio of the only profit-making Comparable, High Fashion International Ltd, of approximately 5.47 times.

From a P/B Ratio perspective, the valuation of the Company, based on the implied market capitalisation arrived at using the Cancellation Price and the Adjusted NAV, translates into an implied P/B Ratio of approximately 0.32 times. This exceeds the Comparables' median and average P/B Ratios of approximately 0.16 times and 0.15 times respectively, and higher than the P/B Ratio range of the Comparables of approximately 0.10 times to 0.20 times.

In terms of P/S Ratio, the Comparables ranged from approximately 0.15 times to 1.67 times, with a median of approximately 0.70 times and an average of approximately 0.81 times. The valuation of the Company, based on the implied market capitalisation arrived at using the Cancellation Price, leads to an implied P/S Ratio of approximately 1.22 times, which is higher than the Comparables' median and average P/S Ratios, and within the P/S Ratio range of the Comparables.

From the perspective of market comparable analysis based on the commonly adopted references (i.e. P/E Ratio, P/B Ratio and P/S Ratio), it can be shown that the Cancellation Price accorded the Company a valuation which is fair and reasonable.

6. Privatisation precedents

It is disclosed in the section headed "Part VI — Explanatory Statement" of the Scheme Document that the Cancellation Price has been determined, among others, with reference to other privatisation transactions relating to companies listed on the Stock Exchange in recent years. We have set out our observations relating to past privatisations in the section headed "4. The Cancellation Price" above. From our perspective in this case, past privatisation transactions of companies listed on the Stock Exchange are not relevant for our assessment of the fairness and reasonableness of the Cancellation Price considering these companies are from different industries, which therefore have different market fundamentals and prospects compared to those faced by the Group at this moment. In addition, the fact that past privatisation transactions were conducted at periods of different economic, industry and financial market cycles, and depending on the outlook at that point in time, will result in different considerations for their respective shareholders at that time. There are also variations in terms of scale of operations, financial performance and position as well as trading prospects and hence difference in risk premiums afforded by the market. Accordingly, we did not consider privatisation precedents as a relevant factor and reason when arriving at our recommendations as set out in the section headed "Recommendations" below. Instead, we consider that the analysis in other sections in this letter to be more pertinent for the Scheme Shareholders to make an informed assessment on the fairness and reasonableness of the Cancellation Price.

For the Scheme Shareholders' reference only, we set out below our observations from the list of successful privatisation transactions which scheme documents were issued in 2024. The list is exhaustive based on these criteria.

	Date of scheme document/circular	**Company name**	**Stock code**	**Premium represented by the cancellation/offer price over closing share price on the last full trading day as extracted from the respective scheme document/ circular**
1.	23 January 2024	Weiqiao Textile Company Limited	2698	104.7%
2.	26 January 2024	Sinosoft Technology Group Limited	1297	29.4%
3.	23 February 2024	Bank of Jinzhou Co., Ltd.	416	0.0%
4.	8 March 2024	Vinda International Holdings Limited	3331	13.5%
5.	27 March 2024	CIMC Vehicles (Group) Co., Ltd.	1839	16.5%
6.	28 March 2024	Intellicentrics Global Holdings Ltd.	6819	19.3%
7.	24 May 2024	SciClone Pharmaceuticals (Holdings) Limited	6600	33.9%
8.	28 June 2024	Kin Yat Holdings Limited	638	33.3%
9.	2 July 2024	L'Occitane International S.A.	973	30.8%
10.	19 July 2024	Huafa Property Services Group Company Limited	982	30.6%
11.	29 July 2024	A8 New Media Group Limited	800	162.8%
12.	28 August 2024	Asia Standard Hotel Group Limited	292	52.8%
13.	4 October 2024	Samson Holding Ltd.	531	77.8%
14.	25 October 2024	Eggriculture Foods Ltd.	8609	125.1%
15.	19 November 2024	CM Hi-Tech Cleanroom Limited	2115	25.0%
16.	16 December 2024	Beijing Capital Grand Limited	1329	46.6%
17.	20 December 2024	Doyen International Holdings Limited	668	78.6%
			High end	162.8%
			Low end	0.0%
			Average	51.8%
			Median	33.3%
		The Company	**533**	**71.15%**

RECOMMENDATIONS

In summary, we have considered the below factors and reasons in arriving at our conclusion and recommendations in relation to the Proposal and the Scheme.

(a) Our analysis in the section headed "**1.2 Historical financial performance of the Group**" shows that the Group's turnover had been on a down trend with both Apparel Business and Property Business recording lower turnover from FY2022 to FY2024. Real estate market weakness also resulted in continuous recognition of fair value losses on investment properties in FY2022 up to during FY2024. While the Group had been able to remain profitable, the level of profit had experienced substantial decline.

(b) The Group had maintained a stable financial position and strong liquidity position as set out in the section headed "**1.2 Historical financial performance of the Group**". This should allow it to weather the current economic downturn which has negatively impacted both segments of its businesses in the past two financial years.

(c) As detailed in the section headed "**1.4 Industry and outlook of the Group**", the performance of the Group's Apparel Business will likely be uncertain in the near term with volatile profitability, if any. Such challenges had continued during FY2024 where turnover from wholesaling business and licensing fee experienced decline of about 9% and 10% respectively compared to FY2023. The Property Business meanwhile will continue to be subject to weakness of the commercial and industrial property rental markets in the PRC and in Hong Kong. In particular, we believe strong headwind can be expected for property sales of its residential development project. The pace of its property sales will be highly correlated to the recovery of PRC's real estate market.

(d) Our observation in the section headed "**1.3 Dividends**" shows that the dividends paid by the Company to its shareholders had reduced over the past few years, likely reflecting the precarious and difficult operating environment the Group had faced. Having considered the Group's level of profit and the operating environment as discussed in (a) and (c) above, absolute amount of dividend to be declared and paid may remain at lower levels in the near term.

(e) As detailed in the section headed "**3. Rationale of the Proposal from the perspectives of the Company and the Scheme Shareholders**", the Proposal enables the Scheme Shareholders to realise their investment in the Company at substantial premium to prevailing market price with certainty, amidst low trading liquidity of the Shares; on the other hand, completion of the Proposal will allow the Company to avoid further costs in maintaining a listing status which has lost its primary function as a fund-raising platform.

(f) The Cancellation Price is higher than the closing prices of the Shares during the entire Review Period, and that it represents a substantial premium of approximately 39.7% over the average of closing prices of the Shares during the Review Period, as detailed in the section headed "**4.1 Historical price performance of the Shares**".

(g) The trading volume of the Shares had been generally thin during the Review Period as detailed in the section headed "**4.2 Trading liquidity of the Shares**" and the Proposal provides an opportunity for the Scheme Shareholders to realise their investment in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares.

(h) The comparable analysis based on commonly adopted parameters and selection criteria as detailed in the section headed "**4.3 Comparable analysis**" shows that (i) the implied P/E Ratio based on the Cancellation Price is significantly higher than the P/E Ratio of the only profit-making Comparable; (ii) the implied P/B Ratio is higher than the respective Comparables' median and average P/B Ratios and exceeds the Comparables' P/B Ratios range; and (iii) the implied P/S Ratio is higher than the respective Comparables' median and average P/S Ratios and within the Comparables' P/S Ratios range.

(i) While the Cancellation Price represents a discount to the Group's Audited NAV per Share as at 31 December 2024 and the Adjusted NAV per Share, which is in itself unfavourable, this phenomenon however appears common for Stock Exchange-listed issuers in the industry which the Group operates in and under the current market environment, as observed in the market comparable analysis set out in the section headed "**4.3 Comparable analysis**". Our analysis in the section headed "**4. The Cancellation Price**" also shows that the Share closing price had consistently traded at varying levels of discount to Audited NAV per Share, ranging from discounts of approximately 66.8% to 81.4%. We therefore consider that the aforementioned discounts of Cancellation Price to Audited NAV per Share as at 31 December 2024 and the Adjusted NAV per Share to be justifiable.

In light of the above and there appears no current prospect of any alternative offer or proposal that may be of better terms than the Proposal, we consider that the Proposal and the Scheme offer the Scheme Shareholders an immediate assured opportunity to exit their investment in the Company at the fixed Cancellation Price and to monetise and possibly reallocate their investment in the Company towards other investments that they may consider more attractive in terms of outlook and potential dividend payout.

Considering the above, we (i) are of the opinion that the Proposal and the Scheme are fair and reasonable so far as the Scheme Shareholders are concerned; and (ii) advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme.

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Scheme Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Scheme Shareholders are reminded that they should make their decisions to dispose of or retain their investments, having regard to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Company during the Offer Period, and they may consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Proposal.

Scheme Shareholders and potential investors of the Company should be aware that, if approved, the Scheme will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or the General Meeting.

Yours faithfully,
For and behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Chang Sean Pey
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*