



SOMERLEY CAPITAL LIMITED

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30 October 2026

To: the Disinterested Scheme Shareholders

Dear Sirs,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
PUBLIC FINANCIAL HOLDINGS LIMITED
BY PUBLIC BANK BERHAD
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA
(AS AMENDED FROM TIME TO TIME)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES OF
PUBLIC FINANCIAL HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment to advise the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme, details of which are set out in the Scheme Document dated 30 October 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 8 September 2026, the Offeror and the Company jointly announced that, the Offeror requested the Board on 19 August 2026 to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act. If the Proposal is approved and implemented, it will result in the Company being privatised by the Offeror by way of the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange. Subject to the fulfilment or (if capable of being waived) waiver of the Conditions and the Proposal and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror HK\$2.50 in cash for every Scheme Share.

As each of the Non-Executive Directors and Independent Non-Executive Directors is regarded as being interested in the Proposal, no independent board committee will be formed for the purpose of the Proposal. Pursuant to Rule 2.8 of the Takeovers Code, we, Somerley Capital Limited, have been appointed by the Board as the Independent Financial Adviser to the Disinterested Scheme Shareholders on the Proposal and the Scheme as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) whether to vote in favour of or against the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal at the SGM.

We are not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed, among other things, (i) the annual reports of the Company for each of the two years ended 31 December 2024 and 31 December 2025 (the “**2025 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2026 (the “**2026 Interim Report**”); (ii) the trading performance of the Shares on the Stock Exchange; (iii) the Joint Announcement and the Profit Warning Announcement; and (iv) other information contained in the Scheme Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the Latest Practicable Date, and Shareholders will be informed of any material change to such information after the Latest Practicable Date, including the content of this letter and our opinion, as soon as possible.

We have not considered the tax and regulatory implications for the Disinterested Scheme Shareholders of voting for or against the Proposal and the Scheme, as the case may be, since these are particular to their individual circumstances. In particular, Disinterested Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL

The terms set out below are summarised from the letter from the Board and the Explanatory Statement contained in the Scheme Document. The Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.

The Proposal and the Scheme

On 8 September 2026, the Offeror and the Company jointly announced that, the Offeror requested the Board on 19 August 2026 to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

If the Proposal is approved and implemented:

- (a) all Scheme Shares held by the Scheme Shareholders on the Scheme Record Date will be cancelled as a result of the Scheme on the Effective Date, in consideration of the payment of the Cancellation Price of HK\$2.50 in cash by the Offeror for each Scheme Share cancelled;
- (b) contemporaneously with the cancellation of the Scheme Shares, such number of new Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid, such that the share capital of the Company will be maintained and the Company will become wholly-owned by the Offeror; and
- (c) the listing of Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

In compliance with Rule 20.1(a) of the Takeovers Code, subject to the Scheme becoming effective, the Cancellation Price of HK\$2.50 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event no later than seven Business Days following the Effective Date.

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.

As at the Latest Practicable Date, (i) the total issued share capital of the Company comprised 1,097,917,618 Shares; and (ii) there were 293,899,698 Scheme Shares in issue, representing approximately 26.77% of the issued share capital of the Company as at the Latest Practicable Date.

At the Cancellation Price of HK\$2.50 per Scheme Share, the Proposal values the entire issued share capital of the Company at approximately HK\$2,744,794,045. Assuming that no new Shares are issued on or before the Scheme Record Date and on the basis of the Cancellation Price of HK\$2.50 per Scheme Share, the aggregate cash consideration payable by the Offeror to implement the Proposal in full in accordance with its terms is HK\$734,749,245.

The Offeror intends to finance the aggregate cash consideration payable to implement the Proposal with its internal cash resources. Quam Capital, the Hong Kong financial adviser to the Offeror in relation to the Proposal, is satisfied that sufficient financial resources are available to the Offeror to satisfy in full its payment obligations in respect of the cash consideration payable under the Proposal in accordance with its terms.

Conditions of the Proposal and the Scheme

The Proposal will be, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or (if capable of being waived) waiver of the following Conditions on or before the Long Stop Date:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the Scheme Shares that are voted in person or by proxy at the Court Meeting and:
 - (i) by at least 75% of the votes attaching to the Scheme Shares held by Disinterested Scheme Shareholders that are cast (by way of a poll), in person or by proxy, at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) by Disinterested Scheme Shareholders against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders;

- (b) the passing of a special resolution by the Shareholders at the SGM by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM, to approve and give effect to:
 - (i) any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and
 - (ii) the issue, contemporaneously with such cancellation, of such number of new Shares as is equal to the number of Scheme Shares cancelled, and the application of the reserve created as a result of the cancellation of the Scheme Shares to pay up such number of new Shares at par in full;
- (c) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (d) to the extent applicable, compliance with section 46(2) of the Companies Act in relation to the Scheme;
- (e) all Authorisations (if any) having been obtained, completed and/or made, and remaining in full force and effect without modification or variation;
- (f) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Relevant Authority in any jurisdiction which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws, in connection with the Proposal or its implementation in accordance with its terms;
- (g) no Relevant Authority in any jurisdiction having taken or instituted or threatened in writing any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which is material in the context of the Group taken as a whole or which would prohibit the implementation of the Proposal or make the Proposal or the implementation of the Proposal in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or the implementation of the Proposal), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;

- (h) since the date of the Joint Announcement, there having been no adverse change in the business, operations, assets, liabilities, financial or trading positions, profits or prospects of any member of the Group to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms;
- (i) there not having been instituted or remaining outstanding any litigation, arbitration, proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any member of the Group (and no investigation by any Relevant Authority against or in respect of any member of the Group or the business carried on by it having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Group), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms;
- (j) save in connection with the implementation of the Proposal, the listing of the Company on the Stock Exchange not having been withdrawn and no indication having been received from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will be, or is likely to be, withdrawn; and
- (k) the implementation of the Proposal in accordance with its terms not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date, or any lender to any member of the Group claiming (or being entitled to claim) an event of default under any financing documentation to which any member of the Group is a party, which has not been irrevocably consented to or waived by the relevant lender(s); or
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any member of the Group or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto).

Conditions (a) to (d) (inclusive) may not be waived. The Offeror reserves the right (but is not obliged) to waive all or any of the Conditions (e) to (k) (inclusive), in whole or in part, to the extent permissible by Applicable Laws. The Company does not have the right to waive any Condition.

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, each of the Offeror and the Company was not aware of any Authorisations (other than the approval of the Stock Exchange for the withdrawal of listing of the Shares subject to the Scheme becoming effective and those expressly set out in Conditions above) which are required to be obtained prior to the Scheme becoming effective as set out in Condition (e), and each of the Offeror and the Company was not aware of any circumstances which may result in any of Conditions (f) to (k) (inclusive) not being fulfilled.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke a Condition as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

All Conditions will have to be fulfilled or (if capable of being waived) waived on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. If the Conditions are fulfilled or (if capable of being waived) waived on or before the Long Stop Date, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended and/or voted at the Court Meeting or the SGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or (if capable of being waived) waived. Further announcement(s) will be made as and when appropriate in respect of the fulfilment or (if capable of being waived) waiver of the Conditions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information and prospects of the Group

(i) Background and information of the Company

The Group is principally engaged in the business of provision of a comprehensive range of banking and financial services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis in Hong Kong.

(ii) *Financial information of the Group*

Summaries of the financial information of the Group are set out below:

(a) *Financial performance*

The following table sets out a summary of the consolidated income statements of the Group for the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, as extracted and summarised from the 2025 Annual Report and the 2026 Interim Report.

	For the year ended 31 December		For the six months ended 30 June	
	2024	2025	2025	2026
	(audited)	(audited)	(unaudited)	(unaudited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Interest income	2,052,398	1,941,103	978,411	928,480
Interest expense	(1,069,107)	(787,434)	(447,898)	(357,288)
Net Interest Income	983,291	1,153,669	530,513	571,192
Net fees and commission income	218,261	254,482	138,802	108,341
Other operating income	35,088	33,223	15,846	12,690
Operating income	1,236,640	1,441,374	685,161	692,223
Operating expenses	(1,701,003)	(957,115)	(465,183)	(495,714)
Changes in fair value of investment properties	(51,968)	(77,979)	(46,152)	(19,669)
Credit loss expenses	(499,079)	(287,217)	(155,870)	(138,840)
Profit/(loss) before tax	(1,015,410)	119,063	17,956	38,000
Tax	16,023	(39,409)	(15,389)	(12,810)
Profit/(loss) for the year/period attributable to owners of the Company	(999,387)	79,654	2,567	25,190

1H2026 vs 1H2025

Interest income of the Group for the six months ended 30 June 2026 amounted to approximately HK\$928.5 million, representing a decrease of approximately 5.1% from approximately HK\$978.4 million for the six months ended 30 June 2025. Such decrease was mainly due to the lower interest yield from debt securities investment driven by the declining interest rates. Interest expenses of the Group decreased by approximately HK\$90.6 million or 20.2% to approximately HK\$357.3 million for the six months ended 30 June 2026 mainly due to the reduced funding cost on fixed deposits. As a result, the Group's net interest income increased by approximately HK\$40.7 million or 7.7% to approximately HK\$571.2 million for the six months ended 30 June 2026.

The net fees and commission income of the Group for the six months ended 30 June 2026 amounted to approximately HK\$108.3 million, representing a decrease of approximately 21.9% from approximately HK\$138.8 million for the six months ended 30 June 2025, which was mainly due to lower fees and commission income from wealth management services, stockbroking and securities management as customers were more cautious and conservative in securities trading amid the heightened external volatilities as well as the decline in Hang Seng Index.

Operating expenses of the Group increased by approximately HK\$30.5 million or 6.6% to approximately HK\$495.7 million for the six months ended 30 June 2026, mainly due to increased staff costs as part of the talent development and retention strategy along with increased investments in information technology to enhance operational resilience and efficiency while driving the development of digital financial services.

Revaluation losses on investment properties narrowed significantly to approximately HK\$19.7 million for the six months ended 30 June 2026 from approximately HK\$46.2 million for the six months ended 30 June 2025. Credit loss expenses decreased by approximately HK\$17.0 million to approximately HK\$138.8 million for the six months ended 30 June 2026. The improvement was mainly due to lower credit charges on property investment and transportation segments as supported by the stabilised asset price.

The combined effect of higher net interest income, reduced revaluation losses, and lower credit costs outweighed the decline in net fee and commission income and the rise in operating expenses, leading to the increase in profit for the period attributable to owners of the Company from approximately HK\$2.6 million for the six months ended 30 June 2025 to approximately HK\$25.2 million for the six months ended 30 June 2026.

FY2025 vs FY2024

Interest income of the Group for the year ended 31 December 2025 amounted to approximately HK\$1,941.1 million, representing a decrease of approximately 5.4% from approximately HK\$2,052.4 million for the year ended 31 December 2024. Such decrease was mainly due to the lower interest income from loans and advances following the decline of market interest rates as well as HK\$ Prime Rate. Interest expenses of the Group decreased by approximately HK\$281.7 million or 26.3% to approximately HK\$787.4 million for the year ended 31 December 2025, mainly due to the reduced funding cost on fixed deposits coupled with the increased contribution from low-cost current and savings deposits. As a result, the Group's net interest income increased by approximately HK\$170.4 million or 17.3% to approximately HK\$1,153.7 million for the year ended 31 December 2025.

The net fees and commission income of the Group for the year ended 31 December 2025 amounted to approximately HK\$254.5 million, representing an increase of approximately 16.6% from approximately HK\$218.3 million for the year ended 31 December 2024, which was mainly due to the higher fees and commission income from wealth management services, stockbroking and securities management benefited by a bullish Hong Kong stock market.

Operating expenses of the Group decreased significantly by approximately HK\$743.9 million to approximately HK\$957.1 million for the year ended 31 December 2025, due to the absence of goodwill impairment of approximately HK\$810.0 million recognised during the year ended 31 December 2024. Operating expenses (excluding goodwill impairment) of the Group increased by approximately HK\$66.1 million or 7.4% to approximately HK\$957.1 million for the year ended 31 December 2025, mainly attributable to increased staff costs as part of the talent development and retention strategy and higher digitalisation cost.

Revaluation losses arising from investment properties increased by approximately HK\$26.0 million to approximately HK\$78.0 million for the year ended 31 December 2025. Credit loss expenses decreased by approximately HK\$211.9 million to approximately HK\$287.2 million for the year ended 31 December 2025. The decrease in credit loss expenses was mainly attributed to a higher base for comparison in the previous year with the inclusion of a significant impairment provision on a corporate borrower. Meanwhile, credit loss expenses on taxi financing started trending downwards as taxi licence prices stabilised in the second half of 2025.

The combined effect of stronger net interest income, growth in net fees and commission income, the absence of the large goodwill impairment, and lower credit costs, leading to the profit attributable to owners of the Company of approximately HK\$79.7 million for the year ended 31 December 2025.

(b) Financial position

The following table sets out a summary of the consolidated statement of financial position and key financial ratios of the Group as at 31 December 2024 and 2025 and 30 June 2026, as extracted and summarised from the 2025 Annual Report and 2026 Interim Report.

Key Balance Sheet Items	As at 31 December		As at 30 June
	2024 (audited) (HK\$'000)	2025 (audited) (HK\$'000)	2026 (unaudited) (HK\$'000)
Total assets	42,843,996	43,101,451	44,674,078
Cash and short term placements	5,951,644	4,115,069	4,749,764
Placements with banks and financial institutions maturing after one month but not more than twelve months	1,905,999	2,501,957	2,260,373
Loans and advances and receivables	24,192,793	24,942,792	25,717,768
Debt securities investment	6,624,576	7,585,694	7,953,145
Total liabilities	35,143,279	35,344,410	36,898,655
Customer deposits	32,173,517	32,757,984	34,449,053
Unsecured bank loans	1,620,326	1,463,000	1,428,000
Net assets	7,700,717	7,757,041	7,775,423
Key Financial Ratios			
	As at 31 December 2024	2025	As at 30 June 2026
Capital Adequacy			
Common Equity Tier 1 capital ratio	23.8%	27.9%	27.0%
Tier 1 capital ratio	23.8%	27.9%	27.0%
Total capital ratio	24.6%	28.7%	27.9%
Leverage ratio	14.8%	15.1%	14.6%
Asset Quality			
Impaired loans to total loans ratio	2.23%	2.75%	2.68%
Gearing ratio	0.21	0.19	0.18
Loan-to-deposit ratio	76.0%	77.1%	75.7%

1H2026 vs FY2025

The Group's total assets amounted to approximately HK\$44.67 billion as at 30 June 2026. The Group's gross loans and advances (including trade bills) increased by approximately HK\$805.3 million or 3.2% to approximately HK\$26.07 billion as at 30 June 2026 from approximately HK\$25.27 billion as at 31 December 2025. The Group's total liabilities amounted to approximately HK\$36.9 billion as at 30 June 2026. Customer deposits of the Group increased by approximately HK\$1.69 billion or 5.2% to approximately HK\$34.45 billion as at 30 June 2026 from approximately HK\$32.76 billion as at 31 December 2025.

The Group's impaired loans to total loans ratio decreased to approximately 2.68% as at 30 June 2026 from approximately 2.75% as at 31 December 2025 as the Group expedited the recovery treatment on repossessed collateral amidst the improved asset market. The Group continues adopting prudent underwriting standards to ensure healthy level of quality loans and taking prompt actions to pursue loans recovery for problem credits.

Based on the level of bank borrowings compared with the equity of the Group, the Group's gearing ratio remained at a healthy level of approximately 0.18 times as at 30 June 2026, which was slightly lower than the position of approximately 0.19 times as at 31 December 2025.

The consolidated Common Equity Tier 1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group stood at approximately 27.0% and approximately 27.9% respectively as at 30 June 2026.

FY2025 vs FY2024

As at 31 December 2025, the Group's total assets amounted to approximately HK\$43.10 billion, representing an increase of approximately HK\$257.5 million from approximately HK\$42.84 billion as at 31 December 2024. The Group's gross loans and advances (including trade bills) increased by approximately HK\$806.6 million to approximately HK\$25.27 billion as at 31 December 2025 from approximately HK\$24.46 billion as at 31 December 2024. The increase in loans and advances was mainly attributed to the growth of property mortgage loan portfolio driven by a more active residential property market.

The Group's total liabilities amounted to approximately HK\$35.34 billion as at 31 December 2025. The Group's customer deposits increased by approximately HK\$584.5 million to approximately HK\$32.76 billion as at 31 December 2025 from approximately HK\$32.17 billion as at 31 December 2024. The increase in customer deposits was attributed to the growth of low-cost current and savings deposits for optimisation of deposit mix and management of deposit costs.

The Group's impaired loans to total loans ratio increased to approximately 2.75% as at 31 December 2025 from approximately 2.23% as at 31 December 2024. The Group continues adopting prudent underwriting standards to ensure a healthy level of quality loans and taking prompt actions to pursue loans recovery for problem credits.

Based on the level of bank borrowings compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of approximately 0.19 times as at 31 December 2025, which was slightly lower than the position of approximately 0.21 times in the previous year.

The consolidated Common Equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group stood at approximately 27.9%, 27.9% and 28.7% respectively as at 31 December 2025, representing increases of 4.1 percentage points for each ratio as compared to those as at 31 December 2024 respectively. Such improvements were mainly attributable to the implementation of the new Banking (Capital) Rules under the Basel III final reforms with effect from 1 January 2025 and the lower credit risk-weighted exposures for the Group's secured lending portfolio under the new Banking (Capital) Rules.

Loan Portfolio Quality and Recoverability

Loans and advances and receivables constitute the Group's largest asset class, amounting to approximately HK\$25.72 billion as at 30 June 2026 (representing approximately 57.6% of the total assets). As disclosed in the 2026 Interim Report, as at 30 June 2026, over 90% of the loans and advances and receivables were unrated exposures. Over 90% of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles. The Group's impaired loans to total loans ratio stood at approximately 2.68% as at 30 June 2026, showing a slight improvement from approximately 2.75% as at 31 December 2025. This improvement was supported by expedited recovery actions on repossessed collateral amidst the improved asset market.

On the other hand, significant credit loss expenses of approximately HK\$499.1 million was recorded in FY2024 mainly attributable to hire purchase loans amidst a considerable decline in the value of public vehicle licences, increased delinquencies and bankruptcies from personal lending borrowers. Although such credit loss expenses decreased to approximately HK\$287.2 million for FY2025 as taxi licence valuations stabilised, the Group's exposures to Hong Kong's commercial real estate ("CRE") sector and traditional small and medium-sized enterprises face continuous headwinds, as elevated business closures, bankruptcies, and depressed property values threaten both borrower repayment capacity and the ultimate recoverability of repossessed collateral.

As disclosed in the financial reports of the Group, the impaired loans to total loans ratio of the Group was approximately 0.67% as at 31 December 2019, 0.85% as at 31 December 2020, 0.90% as at 31 December 2021, 1.23% as at 31 December 2022, 3.66% as at 31 December 2023, 2.23% as at 31 December 2024, 2.75% as at 31 December 2025, and 2.68% as at 30 June 2026. We noted that the Group's impaired loans to total loans ratio has deteriorated during the period between 2019 and 2023. The impaired loan ratio increased from 0.67% in 2019 to a peak of 3.66% in 2023, subsequently fluctuating at around 2.23% in 2024, 2.75% in 2025, and 2.68% as at 30 June 2026.

As disclosed in the 2025 Annual Report, the Group has been taking prompt actions to pursue loans recovery for problem credits. Although the impaired loan ratio has stabilised slightly and credit loss expenses have decreased since 2024, the impaired loans to total loans ratio remains relatively high as compared to historical level and the quality and recoverability of the loan portfolio remain under pressure. We consider the impaired loan ratio accounts for identified impaired loans under current accounting standards, as one of the indicators to the quality of the loan profile of the Group, whereas over 90% of the Group's loan book comprises unrated exposures with significant concentration in Hong Kong CRE and commercial vehicle licensing sectors. As over 90% of the loans are unrated and the Group faces ongoing challenges in Hong Kong's taxi and CRE sectors, given the subdued macroeconomic backdrop and elevated interest rate environment, these assets carry inherent credit risk and potential future provisioning pressure. As such, we remain cautious about the Group's ability to recover these assets and further improve the impaired loans to total loans ratio.

Profit Warning Announcement

The Company further announced on 16 October 2026 that the Group had conducted an impairment assessment on goodwill with carrying amount of approximately HK\$1,964 million as at 31 December 2025 and expected to make a full impairment on the carrying amount of the goodwill. The impairment of goodwill takes into consideration: (i) the observed surge in the long-term market interest rates since the third quarter of 2026 causing the upward adjustment of discount factor used for conducting goodwill assessment; and (ii) downward adjustment on the cashflow projections in the medium term affected by the adverse impact of the escalated market interest rates on the funding cost and net interest margin of the Group as the majority of the Group's lending portfolio was priced at fixed rate or referenced to HK\$ Prime Rate which tended to be stable across interest rate cycle. Following the impairment made on goodwill, the consolidated asset value and net asset value of the Group would be both reduced by approximately HK\$1,964 million or HK\$1.8 per Share.

Based on the assessment of (i) the latest unaudited consolidated management accounts of the Group for the nine months ended 30 September 2026, (ii) the projected financial performance in the fourth quarter of 2026 taking into account the aforesaid goodwill impairment, the change in market interest rate on the Group's net interest income, the change in market value of investment properties, and the impairment provision on loan portfolio, and (iii) other information available to the Board, the Group expects to incur a loss after tax in the range of HK\$1.9 billion to HK\$2.0 billion for the financial year ending 31 December 2026 (the "**Profit Forecast**"), as compared with a profit after tax of approximately HK\$80 million for the financial year ended 31 December 2025. Although such expected loss primarily resulted from a one-off goodwill impairment, such impairment was driven by the adverse impact of the escalated market interest rates on the funding cost and net interest margin of the Group. The expected goodwill impairment serves as a key qualitative supporting factor to our assessment of the Group's prospects, as the majority of the Group's lending portfolio is priced at fixed rate or referenced to HK\$ Prime Rate, which tends to be stable across interest rate cycle, the Group continues to face persistent operational headwinds, potential compressed net interest margins, and asset quality drag in the near to medium term.

We have discussed with the Company the bases and assumptions upon which the Profit Forecast was prepared, the text of our report on the Profit Forecast is set out in the Appendix IV to this Scheme Document. We have also considered the report on the Profit Forecast dated 30 October 2026 issued by Ernst & Young, the auditor of the Company, the text of which is set out in the Appendix III to this Scheme Document, which stated that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Profit Warning Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2025. Based on the above, we are satisfied that the Profit Forecast, for which the Directors are solely responsible, has been made after due care and consideration.

(iii) Prospects of the Group and the retail and commercial banking businesses in Hong Kong

As disclosed in the 2026 Interim Report, the economy of Hong Kong sustained a growth momentum, but the overall economic outlook was still uncertain, affected by escalated geopolitical tensions, developments in international trade and tariff issues, as well as the changes in consumption habit and competitive landscape such as the adoption of artificial intelligence in Hong Kong. The general operating environment remained challenging for small and medium-sized enterprises and traditional businesses, as reflected by the elevated close down/bankruptcy cases.

According to the Half-Yearly Monetary and Financial Stability Reports published by the Hong Kong Monetary Authority (the “HKMA”) in March and September 2026, which reviews developments between the end of August 2025 and the end of February 2026, and between the end of February 2026 and the end of August 2026 respectively, Hong Kong authorised institutions, which are deposit-taking institutions licensed by the HKMA, operated in an accommodative monetary environment. The HKD Monetary Base remained sizeable and broadly stable at HK\$2,080.4 billion as of the end of August 2026, while total deposits with authorised institutions increased by 5.8% during the seven-month period since the beginning of 2026. For 2025 as a whole, total bank loans recorded positive growth of 2.3%, reversing the 2.8% decline seen in 2024, and markets continued to function smoothly despite potential volatility in fund flows. The overall asset quality of the banking sector remained manageable, with signs of improvement observed in the first half of 2026. The gross classified loan ratio of all authorised institutions declined to 1.82% in the second quarter of 2026 from 2.01% at the end of 2025. Liquidity and funding positions remained sound during the first half of 2026, with the average liquidity coverage ratio of category 1 institutions of 150.5% in the second quarter of 2026 and the total capital ratio of locally incorporated authorised institutions standing at 24.2% at the end of 2025.

During the review period from the end of February 2026 to the end of August 2026, short-term Hong Kong Interbank Offered Rate (HIBOR) eased in early March 2026 before generally firming thereafter, reflecting shifts in seasonal and capital market-related funding demand. Following three consecutive 25-basis-point cuts in the US federal funds target rate in September, October and December 2025, to a federal funds target range of 3.50% to 3.75%, many banks reduced their Best Lending Rates twice by a total of 25 basis points between September and November 2025, with Best Lending Rates ranging from 5.00% to 5.50%. More recently, after the US Federal Reserve raised its federal funds target range by 25 basis points to 3.75% to 4.00% in mid-September 2026, the HKMA adjusted the base rate upwards to 4.25% in accordance with its pre-set formula. Despite the US Federal Reserve’s rate hike in September 2026, local banks kept their Best Lending Rates unchanged in the range of 5.00% to 5.50% during the review period from the end of February 2026 to the end of August 2026. Moreover, the future path of US monetary policy rate remains a critical risk factor. The Group’s financial performance remains sensitive to interest rate volatility and monetary policy shifts, directly influencing the Group’s net interest margins and net interest income. A high-rate environment also increases debt-servicing burdens for corporate and retail borrowers, creating persistent challenges for net interest spreads and interest income optimisation.

According to the same source, the CRE sector in Hong Kong showed signs of stabilisation alongside improved occupancy rates. Average monthly CRE transaction volumes increased to 455 units during the first seven months of 2026, with speculative activities remaining inactive as indicated by confirmor transactions. Prices of office spaces edged up in recent months, while price declines for retail premises and flatted factories narrowed. While CRE transaction volumes saw a modest uptick, persistent oversupply, elevated earlier interest rates, and falling prices continue to pose asset quality risks for bank portfolios exposed to commercial properties. As a portion of the Group's lending portfolio is tied to property-related exposures, ongoing weakness in the CRE market in Hong Kong directly impacts asset quality metrics, provisioning requirements, and the valuation of repossessed collateral.

Furthermore, the escalating geopolitical landscape, international trade realignments, and potential US tariff policies introduce external vulnerabilities for Hong Kong's export-reliant economy and corporate credit environment. While the Group primarily focuses on domestic retail and commercial banking and consumer finance in Hong Kong rather than direct manufacturing or cross-border trade execution, broad protectionist trade measures and tariff escalations can indirectly weigh on local small and medium-sized enterprises and traditional trading entities. Such pressures can strain business cash flows, elevate default risks, and consequently affect the asset and loan quality of the Group's commercial lending portfolio.

With respect to the retail and commercial banking sectors in Hong Kong, the local banking sector has maintained strong overall resilience underpinned by robust capital and liquidity buffers. However, the operating environment for traditional retail and commercial banking remains challenging. Small and medium-sized enterprises face persistent headwinds from elevated business close-down and bankruptcy cases, shifting consumer habits, and structural competitive pressures. Furthermore, CRE markets remain under pressure with subdued transaction values and downward adjustments in office and retail rents, posing ongoing credit risk considerations for commercial loan books. Consequently, individual institutions with heavier retail and commercial banking exposure in Hong Kong continue to navigate a delicate balance between interest margin pressures, credit risk management, and selective credit growth. Considering the backdrop mentioned above, the net interest income and net interest margin of the Group are likely to face ongoing pressure in the near term, driven by the narrowing net interest spread and the uncertain external economic outlook. The ongoing pressure is further evidenced by the Company's Profit Warning Announcement, with a full impairment of goodwill of approximately HK\$1,964 million arising from higher long-term interest rates and the resulting pressure on net interest margins.

In our view, the Company exhibits underlying strength through its established local franchise, diversified revenue streams within retail and consumer finance, robust sector-wide capital and liquidity buffers, and alignment with Hong Kong's resilient financial system. However, its prospects are subject to a range of risks, including external factors beyond its control such as US tariffs, interest rate fluctuations, and Hong Kong CRE market weaknesses. Going forward, we consider that the Group's performance will largely depend on Hong Kong's general economic growth, the stabilisation of the Hong Kong CRE market and the geopolitical landscape.

2. Information on the Offeror Group

The Offeror is a company incorporated in Malaysia and is listed on Bursa Securities (stock code: 1295). The Offeror is principally engaged in all aspects of commercial banking and the provision of related financial services in Malaysia. The Offeror Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stockbroking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, trustee services and investment holding.

3. Reasons for and benefits of the Proposal

As set out in the section headed "8. Reasons for and benefits of the Proposal" in the Explanatory Statement of the Scheme Document, among other things, the Proposal provides Scheme Shareholders with an opportunity to realise their investment immediately at an attractive premium to the historical trading prices of the Shares.

The Cancellation Price of HK\$2.50 per Scheme Share represents:

- a premium of approximately 11.11% over the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 61.29% over the closing price of HK\$1.55 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 78.57% over the average closing price of approximately HK\$1.40 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 Trading Day;

- a premium of approximately 81.16% over the average closing price of approximately HK\$1.38 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 73.61% over the average closing price of approximately HK\$1.44 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 Trading Day;
- a premium of approximately 83.82% over the average closing price of approximately HK\$1.36 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 Trading Day; and
- a price which is more than the highest closing price of HK\$1.89 per Share as quoted on the Stock Exchange since the beginning of December 2024 up to the Last Trading Day.

The Offeror considers that the Cancellation Price compares favourably with the historical market prices of the Shares and provides Scheme Shareholders with an opportunity to realise their entire investment in the Company immediately in cash.

Unlike an on-market disposal, the Scheme, if successfully implemented, will allow each Scheme Shareholder to dispose of all of his, her or its Scheme Shares for cash at the same price without exposure to fluctuations in the market price of the Shares during the disposal process or the potential market impact which may arise from the sale of a significant number of Shares.

The trading liquidity of the Shares has been low. During the 12-month period up to and including the Last Trading Day, the average daily trading volume of the Shares represented approximately 0.027% of the total issued Shares, with an average daily turnover of approximately HK\$414,000. In these circumstances, a Scheme Shareholder wishing to dispose of a sizeable shareholding through the market may not be able to do so within a short period without potentially affecting the prevailing market price.

As set out in the section headed “8. Reasons for and benefits of the Proposal” in the Explanatory Statement of the Scheme Document, the Shares have historically traded at substantial discounts to the net asset value per Share, ranging from approximately 74% to 85% during the two-year period up to and including the Last Trading Day, based on the then latest published consolidated net asset value per Share. We consider the two-year period is representative and sufficient to provide a general overview of the recent market performance of the Shares, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the net asset value per Share. The Offeror considers that the net asset value per Share does not reflect the value realisable by Scheme Shareholders through on-market dealings, as the Shares have not at any time during that period traded at or close to their net asset value. The Cancellation Price represents a discount of approximately 64.69% to consolidated net asset value as at 30 June 2026, which is narrower than the historical range above, and a premium to the historical trading prices of the Shares. Accordingly, the Proposal provides Scheme Shareholders with an opportunity to realise their investment immediately and in full for cash at an attractive premium to the historical trading prices of the Shares and, if they so wish, redeploy the proceeds into other investment opportunities or for other purposes.

Based on the above and our analysis on the historical Share price performance and trading liquidity as set out in the section headed “5. Analysis of price performance and trading liquidity of the Shares” below, we concur that the Proposal gives Scheme Shareholders an opportunity to receive the Cancellation Price for their Scheme Shares at a premium over the current market price. Based on our analysis as discussed in the sections below, we consider such premium over the current market price to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

4. Offeror’s intention in relation to the Group

As set out in the section headed “9. Intention of the Offeror with regard to the Group” in the Explanatory Statement of the Scheme Document, as at the Latest Practicable Date, it was the intention of the Offeror for the Group to continue to carry on its existing business, which involves the provision of a comprehensive range of banking and financial services, stockbroking, the letting of investment properties, the provision of financing to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis in Hong Kong.

The Offeror does not plan to make any material change to the business of the Group (including any redeployment of fixed assets) or the continued employment of the employees of the Group (other than such changes in the ordinary course of business).

5. Analysis of price performance and trading liquidity of the Shares

(i) Historical price performance of the Shares

Set out below are the closing prices of the Shares during the period from 2 October 2024 to the Latest Practicable Date (the “**Review Period**”). Announcements of the Company relating to certain corporate events that took place during the Review Period are noted. We consider the Review Period, which covers a period of more than 24 months, to be reasonable and representative as we consider it a sufficient period to provide a general overview of the recent market performance of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Cancellation Price per Scheme Share.



The closing prices of the Shares ranged from HK\$1.13 to HK\$2.04 per Share during the period between 2 October 2024 and the Last Trading Day (both dates inclusive, the “**Pre-announcement Period**”), with an average of around HK\$1.41 per Share. The closing price of the Shares was below the Cancellation Price of HK\$2.50 per Scheme Share during the entire Pre-announcement Period.

From 4 October 2024 to 23 December 2024, the closing price of the Shares fluctuated within the range of approximately HK\$1.52 per Share and HK\$1.84 per Share. On 23 December 2024 (after trading hours), the Company published a profit warning announcement for the eleven months ended 30 November 2024. The Share price closed at HK\$1.686 on the following day (i.e. 24 December 2024), representing a decrease of approximately 1.7% from the closing price of the Shares on 23 December 2024. Since then, the closing price of the Shares generally followed a downward trend and closed at HK\$1.134 per Share on 9 April 2025. During the period, on 16 January 2025, the Company published the annual results announcement for the year ended 31 December 2024. The Share price closed at HK\$1.36 per Share on the following day (i.e. 17 January 2025), representing an increase of approximately 3.0% as compared to the closing price of the Shares on 16 January 2025.

During the period from 10 April 2025 to 15 January 2026, the closing price of the Shares fluctuated between HK\$1.15 per Share and HK\$1.51 per Share, with an average of approximately HK\$1.30 per Share. During such period, on 30 June 2025, 17 July 2025 and 31 December 2025, the Company published the announcements in respect of (i) the declaration of interim dividend for 2025, (ii) the interim results for the six months ended 30 June 2025, and (iii) the declaration of second interim dividend for 2025, respectively. No material fluctuation on the closing price of the Shares was noted after the publication of the aforementioned announcements.

On 15 January 2026, the Company published the annual results announcement for the year ended 31 December 2025. The Share price closed at HK\$1.479 per Share on the following day (i.e. 16 January 2026), remaining stable as compared to the closing price of HK\$1.489 per Share on 15 January 2026. From 16 January 2026 to 19 August 2026 (i.e. the Last Trading Day prior to the suspension of trading of the Shares), the closing price of the Shares fluctuated between HK\$1.30 per Share and HK\$1.72 per Share, with an average of approximately HK\$1.45 per Share. During such period, on 30 June 2026 and 16 July 2026, the Company published the announcements in respect of (i) the declaration of interim dividend and special dividend for 2026, and (ii) the interim results for the six months ended 30 June 2026, respectively. No material fluctuation on the closing price of the Shares was noted after the publication of the aforementioned announcements.

On 8 September 2026 (after trading hours), the Joint Announcement was published, and trading of the Shares was resumed on 9 September 2026 and closed at HK\$2.20 per Share, representing a significant increase of approximately 41.9% as compared to the closing price on the Last Trading Day.

Since then and up to the Latest Practicable Date, the closing Share price fluctuated in a range within HK\$2.14 per Share to HK\$2.27 per Share. On 16 October 2026 (after trading hours), the Profit Warning Announcement was published, the Share closed at HK\$2.265 per Share on the next trading day (i.e. 20 October 2026), remaining the same as the closing price on 16 October 2026. The closing Share price as at the Latest Practicable Date was HK\$2.25 per Share, which we consider was largely determined by the Cancellation Price of HK\$2.50 per Scheme Share. The Cancellation Price was higher than the closing prices of Shares during the entire Review Period.

The Company has historically declared and paid dividends to Shareholders during the Review Period, with nil dividend for FY2024, HK\$0.07 per Share for FY2025, and HK\$0.04 per Share for the interim period of the year ending 31 December 2026 (including a special dividend of HK\$0.02 per Share). Shareholders should note that the impact and benefit of historical dividend yields vary depending on their individual investment length, cost basis, and total dividends received. Consequently, our analysis with respect to dividend yield focuses on a comparative evaluation against comparable companies as set out in the section headed “6. Comparable companies” below, where Disinterested Scheme Shareholders, if the Proposal is successful, could evaluate reinvesting their cash proceeds into alternative banking investments to pursue different yield profiles.

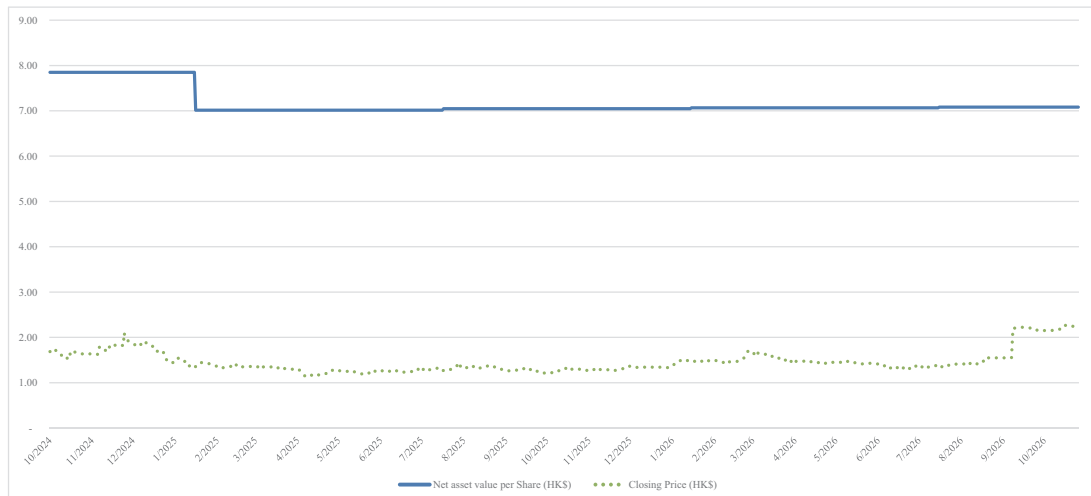
The Cancellation Price of HK\$2.50 per Scheme Share represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$2.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 61.29% over the closing price of HK\$1.55 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 78.57% over the average closing price of approximately HK\$1.40 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 Trading Day;
- (iv) a premium of approximately 81.16% over the average closing price of approximately HK\$1.38 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 73.61% over the average closing price of approximately HK\$1.44 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 Trading Day;

- (vi) a premium of approximately 83.82% over the average closing price of approximately HK\$1.36 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 Trading Day;
- (vii) a discount of approximately 64.64% to the audited consolidated net asset value of the Group of approximately HK\$7.07 per Share as at 31 December 2025, calculated based on the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$7,757,041,000 as at 31 December 2025 divided by the total number of 1,097,917,618 Shares in issue as at the Latest Practicable Date;
- (viii) a discount of approximately 52.65% to the audited consolidated net tangible asset value of the Group of approximately HK\$5.28 per Share as at 31 December 2025, calculated based on the audited consolidated net tangible asset value of the Group attributable to the Shareholders (being the net asset value of the Group attributable to Shareholders as deducted by goodwill and intangible assets) of approximately HK\$5,792,406,000 as at 31 December 2025 divided by the total number of 1,097,917,618 Shares in issue as at the Latest Practicable Date;
- (ix) a discount of approximately 64.69% to the unaudited consolidated net asset value of the Group of approximately HK\$7.08 per Share as at 30 June 2026, calculated based on the unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$7,775,423,000 as at 30 June 2026 divided by the total number of 1,097,917,618 Shares in issue as at the Latest Practicable Date; and
- (x) a discount of approximately 52.74% to the unaudited consolidated net tangible asset value of the Group of approximately HK\$5.29 per Share as at 30 June 2026, calculated based on the unaudited consolidated net tangible asset value of the Group attributable to the Shareholders (being the net asset value of the Group attributable to the Shareholders as deducted by goodwill and intangible assets) of approximately HK\$5,810,788,000 as at 30 June 2026 divided by the total number of 1,097,917,618 Shares in issue as at the Latest Practicable Date.

On the above basis, the Cancellation Price of HK\$2.50 per Scheme Share represents premiums in a range of approximately 61.29% to 83.82% over the closing Share prices for various periods before the Last Trading Day.

The following sets forth the historical Share price and the net asset value per Share based on the latest published financial results of the Group:



As illustrated in the above chart, the Shares have been trading at a substantial discount to the net asset value per Share throughout the Review Period. The Cancellation Price represents discounts of approximately 52.65% to 64.69% to the net asset value or net tangible asset value of the Group as at 31 December 2025 and 30 June 2026. While such discounts appear substantial on an absolute basis, they represents a substantial enhancement over the Company's historical trading patterns. As set out in the section headed "8. Reasons for and benefits of the Proposal" in the Explanatory Statement of the Scheme Document, the Shares have historically traded at substantial discounts to the net asset value per Share, ranging from approximately 74% to 85% during the two-year period up to and including the Last Trading Day, based on the then latest published consolidated net asset value per Share. The Offeror noted and we concur that the book value per Share does not reflect the actual value realisable by Shareholders through open-market dealings. Due to the historically thin trading liquidity of the Shares (as discussed below), minority Shareholders holding sizeable blocks cannot dispose of their holdings in the open market without causing a severe downward impact on the market price. Therefore, although the Cancellation Price represents a discount to the underlying book and tangible asset values, it narrows the historical trading discount range. More importantly, it provides Scheme Shareholders with an immediate, certain, and full cash exit at a significant premium over market trading prices.

As at the Latest Practicable Date, the Share price closed at HK\$2.25 per Share, representing a discount of approximately 10.0% to the Cancellation Price of HK\$2.50 per Scheme Share. Disinterested Scheme Shareholders should note that there is no assurance that the Share price will remain at the current level if the Scheme is not approved.

(ii) Trading liquidity

Set out below in the table are the average daily trading volume of the Shares, the percentages of the average daily trading volume to the total number of issued Shares and the percentages of the average daily trading volume to the public float of the Company respectively during the Review Period:

	Average daily trading volume of the Shares	Approximate % of average daily trading volume of the Shares to the total number of issued Shares (Note 1)	Approximate % of average daily trading volume of the Shares to the public float of the Company (Note 2)
2024			
October	676,324	0.062	0.230
November	767,522	0.070	0.261
December	707,400	0.064	0.241
2025			
January	345,502	0.031	0.118
February	181,109	0.016	0.062
March	344,077	0.031	0.117
April	156,886	0.014	0.053
May	309,600	0.028	0.105
June	295,524	0.027	0.101
July	819,636	0.075	0.279
August	360,090	0.033	0.123
September	576,545	0.053	0.196
October	446,177	0.041	0.152
November	145,343	0.013	0.050
December	188,667	0.017	0.064
2026			
January	341,017	0.031	0.116
February	393,765	0.036	0.134
March	182,092	0.017	0.062
April	165,895	0.015	0.057
May	165,000	0.015	0.056
June	281,429	0.026	0.096
July	238,273	0.022	0.081
August (up to Last Trading Day)	349,077	0.032	0.119
Average during the Pre-announcement Period (Note 3)	370,495	0.034	0.126
From 9 September 2026 to the Latest Practicable Date (the “ Post-announcement Period ”) (Note 4)	2,766,362	0.252	0.942

Sources: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the average daily trading volume of Shares for the month divided by the total number of issued Shares as at the end of the relevant month or as at the Last Trading Day or the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public is calculated based on the total number of issued Shares as at the end of each month, the Last Trading Day or the Latest Practicable Date, as applicable, excluding those held by the Offeror and Offeror Concert Parties and Mr. Chong Yam Kiang.
3. The calculation is based on the average daily trading volume as a percentage to total number of issued Shares and to the public float of the Company respectively.
4. 9 September 2026, being the date of the first trading day immediately following the publication of the Joint Announcement.

From the table above, which outlines the average daily trading volume of the Shares as a percentage of the total issued Shares and to the public float of the Company respectively, we note that except for the Post-announcement Period, the average daily trading volume of the Shares has been generally thin. The average daily trading volume of the Shares during the Pre-announcement Period was 370,495 Shares, representing around 0.034% of the total number of issued Shares and around 0.126% of the total number of issued Shares held by the public. The publication of the Joint Announcement was however noted to have heightened the trading activity, with the average daily trading volume of the Shares increased to 2,766,362 Shares (representing around 0.252% of the total number of issued Shares and around 0.942% of the total number of issued Shares held by the public) during the Post-announcement Period, being from 9 September 2026 (the date of the first trading day immediately after the publication of the Joint Announcement) to the Latest Practicable Date. Trading liquidity remained relatively thin despite the increase. Scheme Shareholders should note that the improvement in liquidity of the Shares subsequent to the publication of the Joint Announcement may not be sustainable if the Scheme does not take place.

Disinterested Scheme Shareholders should note that while historical trading liquidity of the Shares has been low, this factor does not undermine the validity of historical trading prices as a core valuation benchmark. The Shares are listed and traded on the open, transparent, and regulated platform of the Stock Exchange, where company announcements, financial performances, and corporate actions are publicly disclosed. Prevailing market prices reflect the collective assessment of independent market participants and serve as the best objective reference for the value of a company under ongoing market conditions.

Furthermore, in the presence of low trading volume, market prices represent a ceiling on the liquidity available to minority shareholders, since executing large-volume sales in a thin market would inevitably result in downward price pressure. Given the historical thin trading volume of the Shares, it is uncertain whether there would be sufficient liquidity in Shares for the Scheme Shareholders to dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, offers an immediate opportunity for the Scheme Shareholders, particularly for those who hold a large volume of Scheme Shares, to dispose of their entire holdings and exit their investment in full at the Cancellation Price if they so wish, without causing adverse price movement or downward market pressure.

6. Comparable companies

According to the Company's 2026 Interim Report, approximately 93% of the operating income was derived from retail and commercial banking businesses and Hong Kong operations contributed approximately 97% of the total revenue of the Group for the six months ended 30 June 2026. In order to identify comparable companies listed on the Stock Exchange with similar business as the Group, we have adopted two criteria in selecting companies comparable to the Company: (i) companies listed on the Stock Exchange; and (ii) with over 50% of their revenue being derived from banking operations in Hong Kong based on their latest annual reports. On this basis, we have identified an exhaustive list of three comparable companies (the "**Comparable Companies**"). In assessing the fairness and reasonableness of the Cancellation Price, we have compared the price-to-book ("**P/B**") ratio, price-to-net tangible assets ("**P/NTA**"), price-to-earnings ("**P/E**") ratio, dividend yield, return on equity ratio, net profit margin and Common Equity Tier 1 capital ratio of the Group and the Comparable Companies as set out below:

Comparable companies	Stock code	Market capitalisation (HK\$'million) (Note 1)	P/E ratio (times) (Note 2)	P/NTA ratio (times) (Note 3)	P/B ratio (times) (Note 4)	2025 Dividend yield (Note 8)	Return on equity ratio (Note 9)	Net profit margin (Note 10)	Common Equity Tier 1 capital ratio (Note 11)
BOC Hong Kong (Holdings) Limited	2388	546,084	13.10	1.53	1.52	4.11%	11.57%	60.14%	23.80%
The Bank of East Asia, Limited	23	48,538	13.83	0.47	0.45	3.32%	3.27%	16.01%	25.00%
Dah Sing Banking Group Limited ("Dah Sing Banking")	2356	20,875	7.80	0.58	0.58	5.39%	7.32%	32.48%	19.10%
The Company – as at the Last Trading Day	626	1,702	16.84	0.29	0.22	4.52%	1.32%	7.06%	27.00%
The Company – as represented by the Cancellation Price	626	2,744	26.84 (Note 5)	0.47 (Note 6)	0.35 (Note 7)	2.80%	N/A	N/A	N/A

Source: the website of the Stock Exchange

Notes:

1. Market capitalisation of the Comparable Companies and the Company are calculated based on the total number of issued shares and closing price of the relevant shares on the Stock Exchange as at the Joint Announcement Date.
2. The P/E ratios of the Comparable Companies and the Company are calculated based on their respective market capitalisation as at the Joint Announcement Date and their respective attributable profit for the trailing 12-month period as extracted from their respective latest published annual and/or interim reports.
3. The P/NTA ratios of the Comparable Companies and the Company are calculated based on their respective market capitalisation as at the Joint Announcement Date and their respective attributable net tangible asset value (being the net asset value minus goodwill and intangible assets, if any) for the latest interim period/financial year, as extracted from their respective latest published annual and/or interim reports.
4. The P/B ratios of the Comparable Companies and the Company are calculated based on their respective market capitalisation as at the Joint Announcement Date and their respective attributable net asset value for the latest interim period/financial year, as extracted from their respective latest published annual and/or interim reports.
5. The implied P/E ratio of the Company is calculated based on (a) the implied market value at the Cancellation Price; and (b) the net profit for the trailing 12-month period ended 30 June 2026.
6. The implied P/NTA ratio of the Company is calculated based on (a) the implied market value at the Cancellation Price; and (b) the net tangible assets of the Company as at 30 June 2026.
7. The implied P/B ratio of the Company is calculated based on (a) the implied market value at the Cancellation Price; and (b) the total equity of the Company as at 30 June 2026.
8. The 2025 dividend yields for the Comparable Companies are calculated by dividing the respective dividend for the year 2025, as extracted from their respective 2025 annual report, by the respective closing price per share as quoted on the Stock Exchange as at the Joint Announcement Date. In respect of the Company, the 2025 dividend yields are calculated by dividing dividend of HK\$0.07 per Share for the year 2025 by the closing price of HK\$1.55 per Share as at the Last Trading Day and the Cancellation Price of HK\$2.50 per Scheme Share (where appropriate).
9. The return on equity ratios are calculated based on their respective attributable profit for the trailing 12-month period and the respective latest equity attributable to equity holders as extracted from their respective latest published annual and/or interim reports.
10. The net profit margins are calculated based on their respective attributable operating income and profit for the trailing 12-month period as extracted from their respective latest published annual and/or interim reports.
11. The Common Equity Tier 1 capital ratios are extracted from their respective latest published annual and/or interim reports.

12. The above table has excluded Dah Sing Financial Holdings Limited (stock code: 440), whose businesses include those of Dah Sing Banking as well as insurance business. On this basis, comparison with Dah Sing Financial Holdings Limited is considered not appropriate after having considered the business segments of the Company as stated in its latest annual report.

As set out in the table above, prior to the Joint Announcement, based on the market capitalisation on the Last Trading Day, the Company's P/B ratio of approximately 0.22 times was substantially lower than the range of those of the Comparable Companies of approximately 0.45 times to 1.52 times. Although the Cancellation Price has enhanced the P/B ratio to approximately 0.35 times, it remains lower than those of the Comparable Companies. Among the Comparable Companies, we observed that the Group has a significant amount of intangible assets, which are mainly goodwill arising from prior acquisition and unrelated to its daily business operations. As such, while P/B ratio is one of the most commonly adopted valuation metrics in the banking industry, we consider the P/NTA ratio serves as a more appropriate parameter for the Group as it excluded the substantial amount of goodwill which will be fully impaired and the insignificant amount of other intangible assets, which are unrelated to the business operation of the Group.

Prior to the Joint Announcement, based on the market capitalisation on the Last Trading Day, the Company's P/NTA ratio of approximately 0.29 times was lower than the range of those of the Comparable Companies of approximately 0.47 times to 1.53 times. However, the Cancellation Price substantially enhanced the P/NTA ratio to approximately 0.47 times, which is within the range of those of the Comparable Companies. While such implied P/NTA ratio remains at the low end of those of the Comparable Companies, taking into account the following:

- (i) the net tangible assets are not realisable as the Group is subject to capital and regulatory requirements to continue its business operation, which the Group intends to maintain post-privatisation;
- (ii) the uncertainties as to the recoverability of the loan profile of the Group as discussed in the section headed "Loan Portfolio Quality and Recoverability" above;
- (iii) the Company has historically been trading at deep discounts to its book value and tangible asset value as discussed in the section headed "5. (i) Historical price performance of the Shares" above;
- (iv) the Cancellation Price represents a substantial enhancement over the Company's pre-announcement P/B ratio and P/NTA ratio of approximately 0.22 times and 0.29 times respectively;

- (v) the Group recorded a return on equity ratio of approximately 1.32% and a net profit margin of approximately 7.06%, which are both substantially lower than the return on equity ratios ranging from 3.27% to 11.57% and net profit margins ranging from 16.01% to 60.14% of the Comparable Companies. From the table above, it is observed that Comparable Companies with a lower return and profitability metric have a lower P/B ratio and P/NTA ratio. Despite the stronger Common Equity Tier 1 capital ratio of the Group of approximately 27.00% as compared to those of the Comparable Companies ranging from 19.10% to 25.00%, and a dividend yield of approximately 4.52% of the Group being within the range of those of the Comparable Companies of approximately 3.32% to 5.39%, the low profitability and return on equity of the Group might explain the deeper discounts to book value of the Group as the Group generates substantially less profit per dollar of equity capital than its peers; and
- (vi) the implied P/E ratio of the Company as represented by the Cancellation Price of 26.84 times is substantially higher than those of the Comparable Companies ranging 7.80 times to 13.83 times,

we consider the implied P/NTA ratio is justifiable as compared to those of the Comparable Companies.

It shall be noted that commercial banks are asset-based and balance sheet-driven institutions where net asset value and net tangible asset value serve as fundamental indicators of financial strength, and therefore balance sheet metrics such as P/B ratio and P/NTA ratio are crucial to our evaluation. However, P/E ratio is also a commonly adopted reference in assessing fair value under the current market context as balance sheet multiples reflect historical asset carrying values and neglect a bank's profitability and ability to generate return on equity in a changing interest rate environment. In the case of the Group, its earnings capacity has been constrained by narrow net interest margins, resulting in lower return metrics. We consider the implied P/E ratio remains a relevant parameter in evaluating the fairness and reasonableness of the Cancellation Price.

Accordingly, taking into account (i) the lower relative return profile of the Group as compared to those of the Comparable Companies; (ii) the prolonged historical trading discount to book value as mentioned in section headed "3. Reasons for and benefits of the Proposal" above; (iii) the thin trading liquidity as mentioned in the section headed "5. Analysis of price performance and trading liquidity of the Shares" above, and (iv) the attractive earnings multiple implied, despite the discount to its book value, the Cancellation Price offers fair and reasonable value to Disinterested Scheme Shareholders by allowing an immediate, certain cash exit that cannot be achieved independently through open-market dealings.

7. Banking privatisation precedents

We have also researched and compared the Proposal with all successful privatisation proposals involving Hong Kong licensed banking groups listed on the Main Board of the Stock Exchange by their respective majority shareholders, which were announced and completed since January 2010 and up to the Joint Announcement Date (the “**Banking Privatisation Precedents**”). Given the fact that privatisation proposals involving Hong Kong licensed banking groups are infrequent occurrences in the local equity market, we have adopted an extended review period to capture sufficient and representative sample of comparable transactions within the same regulated industry. Furthermore, we consider privatisations of licensed banks provide a more meaningful and direct baseline for comparison than general industrial or commercial company privatisations, given the unique regulatory capital requirements, liquidity constraints, and valuation dynamics inherent to the banking sector. Accordingly, expanding the review window ensures a comprehensive benchmark of market precedents for banking sector privatisation transactions, and we consider such timeframe to be necessary and appropriate. Under the Proposal and the Banking Privatisation Precedents, the relevant offeror was already the majority shareholder of the licensed banking group before the respective privatisation proposal, resulting in the acquisition of minority interests. These transactions represent like-for-like direct comparisons with the Proposal, as opposed to the takeover of the licensed banking group by a third party where a control premium would normally apply. In our view, the Banking Privatisation Precedents represent an exhaustive list identified from the website of the Stock Exchange, based on the above selection criteria.

We consider that the Banking Privatisation Precedents, all of which involve Hong Kong licensed banking groups previously listed on the Main Board of the Stock Exchange, can provide useful perspectives including the level of premium over historical market prices offered, as well as the transaction multiples for privatisations involving licensed banking groups in the Hong Kong equity capital market, thereby providing a reference for the Scheme Shareholders when evaluating the Proposal.

The table below illustrates the premiums represented by the cancellation consideration over the respective last full trading day and the respective last 5, 30, 60 and 90 full trading days average share prices in respect of the privatisation proposals:

Date of the initial Rule 3.5/3.7 announcement	Name of licensed banking group (Former stock code)	Implied value (Note 1) HK\$' billion	Premiums of cancellation consideration over the closing price/average closing price per share					Premiums/ discounts of cancellation consideration over the net asset value per share
			on the last full trading day (Note 2)	for the last 5 full trading days (Note 2)	for the last 30 full trading days (Note 2)	for the last 60 full trading days (Note 2)	for the last 90 full trading days (Note 2)	
10 August 2010	Industrial and Commercial Bank of China (Asia) Limited (349) ("ICBC (Asia)")	39.8	27.8%	34.6%	41.2%	47.9%	48.8%	114.50%
19 January 2011	Fubon Bank (Hong Kong) Limited (636) ("Fubon Bank (Hong Kong)") (Note 3)	6.1	37.6%	41.8%	43.2%	41.0%	39.3%	46.20%
18 May 2021	Chong Hing Bank Limited (1111) ("Chong Hing Bank") (Note 4)	20.2	97.0%	101.2%	107.3%	109.8%	113.5%	-10.10%
9 October 2025	Hang Seng Bank Limited (11) ("Hang Seng Bank")	290.3	30.3%	29.7%	33.1%	32.8%	33.0%	83.40%
		<i>Average</i>	48.2%	51.8%	56.2%	57.9%	58.7%	58.50%
		<i>Median</i>	34.0%	38.2%	42.2%	44.5%	44.1%	64.80%
8 September 2026	The Proposal	2.7	61.3%	72.4%	78.6%	81.2%	77.9%	-64.70%

Sources: Bloomberg and the website of the Stock Exchange

Notes:

1. The relevant implied value (on a 100% basis) is calculated based on the product of the number of the respective ordinary shares in issue (excluding treasury shares (if any)) and the respective cancellation consideration.
2. The relevant premiums are calculated based on the respective closing price/average closing price per ordinary share up to and including the last full trading day of the shares prior to the publication of the Rule 3.5 announcement or the initial Rule 3.7 announcement (where applicable).
3. The relevant premiums of Fubon Bank (Hong Kong) are calculated based on the revised offer price of HK\$5.20 per scheme share, as disclosed in its scheme document.
4. Apart from the above privatisation of Chong Hing Bank in 2021, we note that Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), through its subsidiary, made a voluntary cash partial offer (the "Yue Xiu Partial Offer") in 2014 to acquire a maximum of 75% equity interest of Chong Hing Bank. As Yue Xiu was not a shareholder of Chong Hing Bank before the Yue Xiu Partial Offer, and the Yue Xiu Partial Offer did not result in privatisation of Chong Hing Bank, the Yue Xiu Partial Offer was not included as a Banking Privatisation Precedent.
5. Subject to rounding differences.

Based on the table above, the average premiums and median premiums represented by the cancellation consideration of the Banking Privatisation Precedents over the (average) closing price on the last full trading day, and for the last 5, 30, 60 and 90 full trading days range from approximately 48.2% to 58.7% and approximately 34.0% to 44.5% respectively.

The premiums represented by the Cancellation Price of HK\$2.50 per Scheme Share over the (average) closing price of the Shares on the Last Trading Day, and for different periods of up to the last 5 to 90 trading days before the Joint Announcement Date, are generally higher than the abovementioned premiums observed under the four Banking Privatisation Precedents.

The premiums represented by the Cancellation Price over the (average) closing price on the Last Trading Day, and for last 5, 30, 60 and 90 full trading days, ranging from approximately 61.3% to 81.2%, are higher than the average and median premiums of the Banking Privatisation Precedents, indicating that the Cancellation Price provides a more favorable premium to the market price of the Shares as compared to the Banking Privatisation Precedents.

While we note that the Banking Privatisation Precedents were implemented at smaller discount or premium to net asset value, the apparent discount to net asset value represented by the Cancellation Price was evaluated within the specific historical trading characteristics of the Company, which have historically suffered from severe and prolonged trading illiquidity and have persistently traded at a deep discount to net asset value (ranging from approximately 74% to 85% over the preceding two-year period), with no history of trading at or close to book value. As such, it is unlikely that Shareholders are able to realise the underlying book value through open-market transactions. Therefore, the Cancellation Price of HK\$2.50 per Scheme Share delivers an immediate, certain, and substantial cash premium ranging from approximately 61.29% to 83.82% over prevailing historical market trading prices. This provides Disinterested Scheme Shareholders with a valuable opportunity to effectively captures a significant portion of the historical trading discount, rendering the terms fair and reasonable under the prevailing circumstances in general.

Disinterested Scheme Shareholders should note that while the Banking Privatisation Precedents provide a useful market reference regarding the pricing structures and premium levels accepted by shareholders in the Hong Kong market for banking industry, each precedent target company possesses distinct characteristics. Variations in business operations, asset quality, financial performance, scale, market capitalisation, shareholding structure, historical trading liquidity, and prevailing macroeconomic conditions at the time of the respective privatisation mean that no precedent company or transaction is entirely comparable to the Proposal.

It is also worth mentioning that all of the Banking Privatisation Precedents were successfully completed, indicating that the terms of the privatisation proposals in the Banking Privatisation Precedents were accepted by the market and accordingly, whilst the premiums represented by the Cancellation Price over the historical market trading prices are within the range of those of the Banking Privatisation Precedents, the terms of the Proposal are therefore considered in line with the market. Moreover, the successful completion or shareholder acceptance of the Banking Privatisation Precedents reflects only that the relevant terms were deemed acceptable by those shareholders under the specific facts and market circumstances of each individual case. The Banking Privatisation Precedents serve as a reference for market practice and valuation parameters, rather than a definitive measure of the intrinsic fair value of a company.

DISCUSSION

We have formed our opinion on the terms of the Proposal, including the Cancellation Price, after taking into account all the above principal factors and reasons and in summary particularly:

- (1) **Future uncertainties and the Profit Warning:** notwithstanding the Company exhibits underlying strength with improving recent financial performance, the future business development and prospects of the Group are still subject to uncertainties associated with macroeconomic environment and factors surrounding, including but not limited to US tariffs, interest rate fluctuations, and Hong Kong CRE market weaknesses, as discussed in the section headed “1(iii) Prospects of the Group and the retail and commercial banking businesses in Hong Kong” above. As disclosed in the Profit Warning Announcement, the Group expects to record a loss after tax in the range of HK\$1.9 billion to HK\$2.0 billion for the financial year ending 31 December 2026. Although such expected loss primarily resulted from a one-off goodwill impairment, such impairment was driven by the adverse impact of the escalated market interest rates on the funding cost and net interest margin of the Group. As the majority of the Group’s lending portfolio is priced at fixed rate or referenced to HK\$ Prime Rate, which tends to be stable across interest rate cycle, the Group’s underlying operating profitability continues to face uncertainties and headwinds in the near term;

- (2) **Persistent discount to net asset value:** the Shares have historically been trading at deep discounts to its book value and tangible asset value during the Review Period. As discussed in the section headed “6. Comparable companies” above, despite that each of the Cancellation Price is lower than the net asset value per Share or net tangible asset value per Share of the Group, having taken into account, in particular, (i) the net tangible assets are not realisable as the Group is subject to capital and regulatory requirements to continue its business operation, which the Group intends to maintain post-privatisation; (ii) the uncertainties as to the recoverability of the loan profile of the Group as discussed in the section headed “Loan Portfolio Quality and Recoverability” above; (iii) the Cancellation Price represents a substantial enhancement over the Company’s pre-announcement P/B ratio and P/NTA ratio of approximately 0.22 times and 0.29 times respectively; (iv) the Group’s return on equity ratio of approximately 1.3% and net profit margin of approximately 7.1% are substantially lower than those of the Comparable Companies; (v) the implied P/NTA ratio represented by the Cancellation Price, which serves as a more appropriate parameter for the Group (as compared to P/B ratio) as it excluded the substantial amount of goodwill which will be fully impaired for the year ending 31 December 2026 as disclosed in the Profit Warning Announcement and the insignificant amount of other intangible assets, is within the range of those of the Comparable Companies; (vi) the Cancellation Price represents reasonable premiums to historical market price; and (vii) the historical thin trading volume of the Shares, the Proposal gives Disinterested Scheme Shareholders an opportunity to receive the Cancellation Price for their Scheme Shares at a premium over the current market price of the Company, which we considered it justifiable;
- (3) **Substantial cash premium over historical Share prices:** the Cancellation Price of HK\$2.50 per Scheme Share represents premiums over recently prevailing market prices ranging from approximately 61.29% to 83.82%, and is substantially higher than the average Share closing price for the Pre-announcement Period of approximately HK\$1.41 per Share, whilst the discounts of approximately 52.65% to 64.69% to the net asset value or net tangible asset value of the Group are consistent with the Company’s historical trading patterns, as discussed in the section headed “5(i) Historical price performance of the Shares” above;

- (4) **Comparison with the Comparable Companies:** while the implied P/B ratio of approximately 0.35 times, being one of the most commonly adopted valuation metrics in the banking industry, is below those of the Comparable Companies ranging from approximately 0.45 times to 1.52 times, the P/NTA ratio of 0.47 times, which serves as a more appropriate parameter for the Group as it excluded the substantial amount of goodwill which will be fully impaired and the insignificant amount of other intangible assets, is within the range of those of the Comparable Companies ranging from approximately 0.47 times to 1.53 times. Furthermore, the implied P/E ratio of the Company as represented by the Cancellation Price of 26.84 times is substantially higher than those of the Comparable Companies ranging from approximately 7.80 times to 13.83 times, as discussed in the section headed “6. Comparable companies” above, offering Disinterested Scheme Shareholders a valuation that places a significant premium on the Group’s underlying earnings;
- (5) **Comparison with the Banking Privatisation Precedents:** as discussed in the section headed “7. Banking privatisation precedents” above, although the Banking Privatisation Precedents have smaller discount or premium to net asset value as represented from the respective cancellation price, the premiums represented by the Cancellation Price of HK\$2.50 per Scheme Share over the closing Share prices on the Last Trading Day and for the last 5, 30, 60 and 90 full trading days are all within the range of the Banking Privatisation Precedents, and higher than the average and median of those of the Banking Privatisation Precedents. On a balanced view, the terms of the Proposal are considered acceptable as compared to those of the Banking Privatisation Precedents when evaluated alongside with the prevailing market conditions and banking industry prospects, and the Group’s lower return on equity, asset quality, historical trading price and thin historical trading liquidity;
- (6) **Opportunity to realise value amid low liquidity:** the historical trading volume of the Shares has been thin, as discussed in the section headed “5(ii) Trading liquidity” above, it is unlikely that Scheme Shareholders could dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price of the Shares. The Scheme, therefore, represents a valuable opportunity for Scheme Shareholders, particularly those with a large holding of Scheme Shares, to dispose of their holdings at the fixed cash amount of HK\$2.50 per Scheme Share; and

- (7) **Attractive proposal from other sources is unlikely:** as at the Latest Practicable Date, the Offeror and Offeror Concert Parties are interested in approximately 73.26% of the issued share capital of the Company, if the Proposal is disapproved, lapsed or withdrawn, (i) the Offeror would not be able to come up with another privatisation proposal within the next 12 months unless a consent is obtained under Rule 31.1 of the Takeovers Code; and (ii) it will be difficult for any third party to present or implement any other proposal for the Shares held by the Disinterested Scheme Shareholders without the support of the Offeror. In addition, there are possibilities that (i) the Share price (together with the trading volume of the Shares) could fall towards or even below the level at which they had been trading prior to the Joint Announcement and the Disinterested Scheme Shareholders would become unable to realise the Shares at a level of the Cancellation Price; and (ii) the Share price may continue to trade at a deeper discount to book value, as compared to that of the Cancellation Price, without reflecting its full net asset value per Share.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider that the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme.



The Shares have been trading in the market below the Cancellation Price and they closed at HK\$2.25 on the Latest Practicable Date. However, although we consider it unlikely, there is a possibility that the Share price may exceed the Cancellation Price in the period since the Latest Practicable Date and up to the last day for trading in the Shares on the Stock Exchange. Accordingly, Scheme Shareholders are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, if the proceeds obtained from such disposal of Shares (after deducting all transaction costs) would be higher than HK\$2.50 per Scheme Share.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 21 years of experience in the corporate finance industry.