VALUATION OF BUSINESS ENTERPRISE
AS AT 30 SEPTEMBER 2021

TREASURE MARK GLOBAL LIMITED

FOR THE USE BY
TONG KEE (HOLDING) LIMITED

DATE OF REPORT: 26 NOVEMBER 2021
REF.: J21149/R21149/TONKE-8305

ROYSON

ROYSON VALUATION ADVISORY LIMITED
UNIT 1503, 15/F, THE L. PLAZA
367-375 QUEEN'S ROAD CENTRAL
HONG KONG

Ref.: J21149/R21149/TONKE-8305

26 November 2021

Tong Kee (Holding) Limited
Room 2502, 25/F
148 Electric Road
North Point
Hong Kong

Dear Sir or Madam,

RE: VALUATION OF BUSINESS ENTERPRISE

We have been instructed by Tong Kee (Holding) Limited (the "**Company**", together with its subsidiaries as the "**Group**") to perform an appraisal of the entire equity interest in the business enterprise of Treasure Mark Global Limited (the "**Target Company**", together with its subsidiary and its joint venture as the "**Target Group**") as at 30 September 2021 (the "**Appraisal Date**") for transaction purpose and our valuation will be used in connection to a public document to be issued by the Company.

The Company is contemplating to acquire the entire equity interest in the Target Company from Precise Capital Global Limited (the "**Vendor**"). The Target Company is an investment holding company and Projexasia Limited ("**Projexasia**") is its wholly-owned subsidiary. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of repair, maintenance, alteration and addition ("**RMAA**") works and new construction works. As at the Appraisal Date, Projexasia holds a 50% equity interest in Scenario-Projexasia Joint Venture (the "**Joint Venture**"), an unincorporated joint venture.

In this appraisal, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the equity interest in the Target Group is considered to be composed of two parts: 1) the value of Projexasia's principal business and 2) the value of a 50% interest in the Joint Venture. The first part is derived by the application of the Guideline Publicly-traded Comparable Method under the market approach. Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value. Regarding the valuation of the latter part, we are advised that the Joint Venture has completed its project on hand as of the Appraisal Date and is expected to be closed upon final settlement of all accounts between its two joint venturers and between the Joint Venture and third parties within 12 months from the Appraisal Date. Thus, the fair value of the 50% equity interest in the Joint Venture is estimated by the discounted cash flow method under income approach. The indicated fair value of the equity interest in the Target Group is then adjusted upward for control premium and downward for discount for lack of marketability.

I. DESCRIPTION OF THE APPRAISAL

On 19 October 2021, the Company entered into a sale and purchase agreement with the Vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company, at a total consideration of HK$24.0 million.

The objective of this valuation is to provide an independent opinion on the fair value of the entire equity interest in the Target Group as at the Appraisal Date for transaction purpose. We understand the valuation will be used in connection to a public document to be issued by the Company.

The appraisal is conducted in conformity with the generally accepted accounting principles in Hong Kong ("**HKGAAP**") and the International Valuation Standards. These standards contain guideline on the basis and valuation approaches used.

II. BASIS OF VALUE

The valuation is performed based on fair value. As defined in Hong Kong Financial Reporting Standard 13 - *Fair Value Measurement (HKFRS 13)*, fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

III. PREMISE OF VALUE

Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value.

IV. SCOPE OF WORK

This appraisal reflects facts and conditions existing at the Appraisal Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

Our appraisal opinion is based on the assumptions stated herein and on information provided by the management of the Target Group and/or the Group (the "**Management**"). In the course of our valuation, we have conducted the following processes and procedures:

1. Collected and analysed the relevant historical financial statements and other financial and operational information of the Target Group from the Management;

2. Conducted interviews with the Management in relation to the Target Group's history, operations and prospects of its business;

3. Researched the general economic outlook and the outlook for the specific industry affecting the business of the Target Group, its industry and its markets;

4. Examined the reasonableness of the information as well as other records and documents provided by the Management, in light of our research and analysis on the industry and economic data;

5. Determined the most appropriate valuation methods for the valuation;

6. Identified the comparable companies of the Target Group;

7. Reviewed the correspondence between the Joint Venture and its customer in relation to the settlement of final accounts; and

8. Evaluated the business enterprise value of the Target Group based on the assumptions and valuation methods stated in the report.

V. INFORMATION SOURCES

To aid us in our analysis, we have consulted, reviewed and relied on the following key information which is publicly available or provided by the Management:

1. Financial database empowered by Bloomberg;

2. Relevant economic data;

3. Unaudited and/or audited historical financial and operational information of the Target Group for the three years ended 31 December 2020 and the period from 1 January 2021 to 31 May 2021;

4. Correspondence between the Joint Venture and its customer in relation to the settlement of final accounts; and

5. Discussions with the Management.

VI. LIMITING CONDITIONS

This appraisal relies upon the following contingent and limiting conditions:

1. Public, industry, statistical, and other information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

2. The Company and its representatives warranted to us that the information they supplied is complete and accurate to the best of their knowledge and that the financial statement information reflects the results of operations and financial and business condition of the Target Group in accordance with generally accepted accounting principles, unless otherwise noted. The financial statements and other related information supplied by management has been accepted as correct without further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information. We also have no reason to believe that any material facts have been withheld from us.

3. This report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document to be prepared or distributed to third parties may be made without our written consent and approval.

4. The opinion of value is valid only for the stated purpose as of the valuation date indicated. We take no responsibility for changes in market conditions and assume no obligation to revise our conclusion of value to reflect events or conditions which occur subsequent to the valuation date.

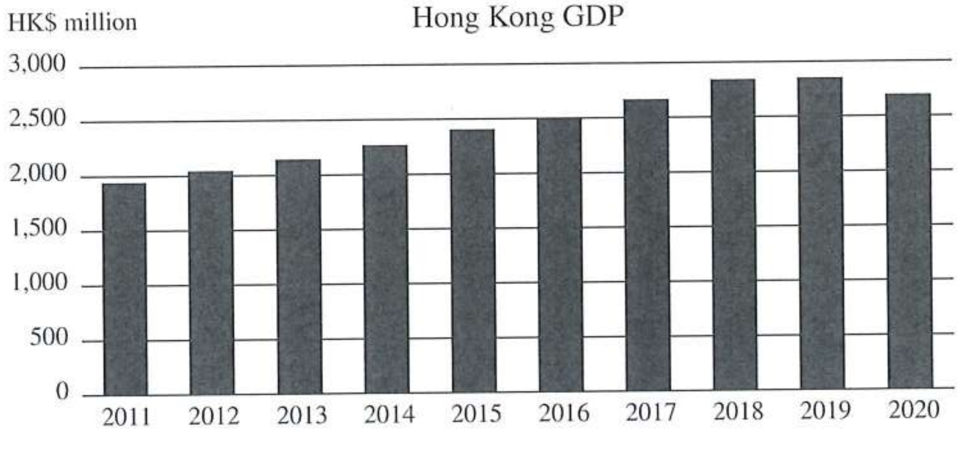
5. For the prospective financial information approved by management that is used in our engagement, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

6. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information. Any variation to the assumptions in the valuation could seriously affect our opinion of value.

VII. INDUSTRY OVERVIEW

Hong Kong GDP

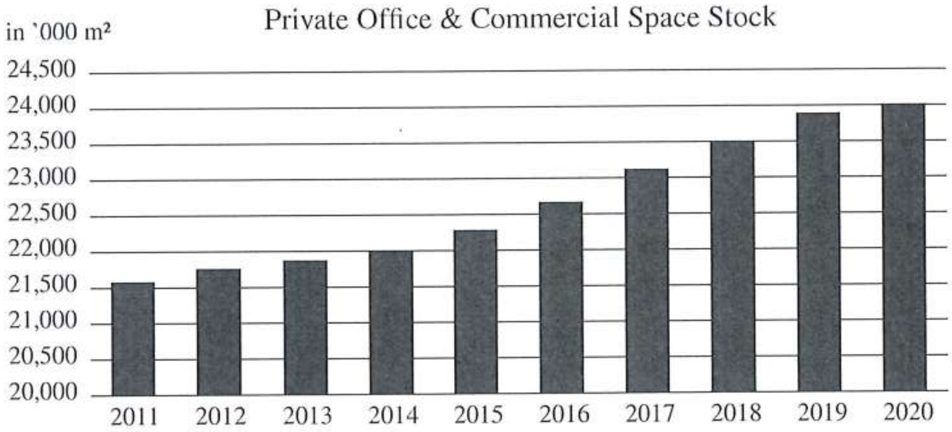
The Hong Kong economy has been growing steadily between 2011 and 2018, with the gross domestic product (GDP) increasing from HK$1,934 million to HK$2,835 million in 2018, with a compound average growth rate (the "CAGR") of 5.6% during the period. However, the growth was temporarily halted by the local events in 2019 and the disruption to the global economy by COVID-19 in 2020 which brought about a 5.5% contraction in 2020. For the 1st two quarters in 2021, the Hong Kong economy began recovery with 7.1% and 7.3% improvement compared to the same periods in 2020.



Source: Census and Statistics Department, Hong Kong

Private Office and Commercial Space Stock in Hong Kong

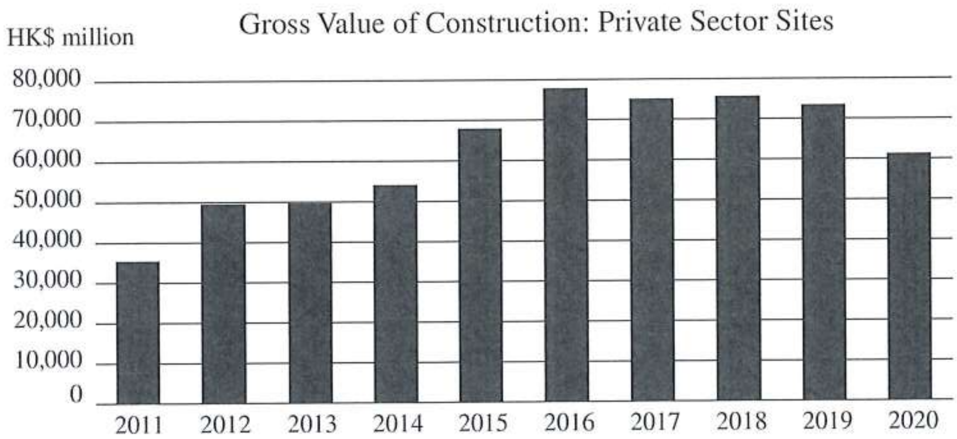
The availability of private office and commercial space has been increasing during 2011 and 2020, increasing from 21,574,000 m² in 2011 to 24,002,000 m² in 2020. As the Target Group provides services to the non-government entities, the increasing stock of office and commercials spaces provides an expanding landscape for the Target Group's operations.



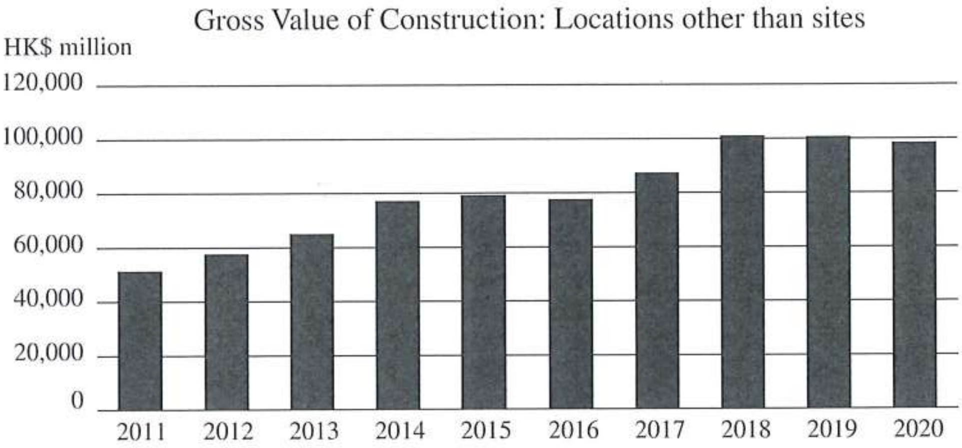
Ratings and Valuation Department, Hong Kong

Gross Value of Construction Works

The Target Group assumes the role of main contractor in RMAA works for non-governmental entities, which include both construction sites, shopping malls and other locations. Between 2011 and 2020, the gross value of construction works performed by main contractors at private construction sites increased from HK$38,252 million to HK$61,123 million (representing a CAGR of 6.3%). While it showed a 16.5% drop in 2020, the construction industry was impacted by the COVID-19 when some construction sites were closed at the height of the pandemic. The drop does not suggest a change in the long-term rising trend of the business volume of the sector.



It is also important to examine the gross value of works at locations other than sites, as the Target Group also carries out works at shopping malls and other locations. Between 2011 and 2020, the gross value of construction works performed by main contractors at locations other than sites increased from HK$51,184 million to HK$98,169 million (representing a CAGR of 7.5%). It was relatively insulated from the impact of COVID-19 as the 2020 value was only 2.2% lower than the previous year.



VIII. INFORMATION ABOUT THE COMPANY

The Company is a listed company on the GEM of The Stock Exchange of Hong Kong (the "**Stock Exchange**") (stock code: 8305). The Company is an investment holding company, and the Group is principally engaged in performing RMAA works, new construction works and corrosion protection works in Hong Kong as multi-disciplinary contractors.

IX. INFORMATION ABOUT THE TARGET GROUP

The Target Company is an investment holding company and its major asset is its investment in Projexasia.

Projexasia is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. Projexasia is principally engaged in the provision of construction management services and acting as a management contractor for the provision of RMAA works and new construction works. Projexasia's customers are primarily large commercial non-government entities such as offices, banks, retail brands, hotels and shopping malls. Projexasia has operated for over 20 years in Hong Kong.

As at the Appraisal Date, Projexasia holds a 50% equity interest in the Joint Venture. The results and assets and liabilities of the Joint Venture are incorporated in the Target Company's financial statements using the equity method of accounting.

The Joint Venture is established solely for the tender and execution of a specific construction project (the "**JV Project**").

As advised by the Management, the Joint Venture has completed all the construction work for the JV Project while the only outstanding matters are the issue of final accounts by its customers, debt collection and payment of outstanding costs and expenses. The Joint Venture is expected to be closed after distribution of collected funds as final dividend to its two shareholders.

The following table summarises the key historical financial information of the Target Group:

	For the year ended		**For the five months ended**	
	31-Dec-19	**31-Dec-20**	**31-May-20**	**31-May-21**
	HK$	*HK$*	*HK$*	*HK$*
Revenue	150,473,000	116,627,000	35,324,000	14,007,000
Profit (loss) before tax	519,000	(3,341,000)	(3,804,000)	(2,607,000)
Operating income (loss)*	687,000	(3,257,000)	(4,192,000)	(2,687,000)

* Operating income (loss) represents the subtraction of administrative expenses from gross profit only.

The trailing 12-month revenue as of 31 May 2021 (the "**T12 Revenue**") of the Target Group is calculated as approximately HK$95,310,000. It recorded an operating loss of approximately HK$1,752,000 in the trailing 12-month from 31 May 2021. As at 31 May 2021, the net assets value of the Target Group amounted to approximately HK$2,371,000 while its net debt balance amounted to approximately HK$14,708,000.

X. VALUATION METHODOLOGY

Selection of Valuation Methods

In this valuation, we have considered the three generally recognised valuation approaches, namely the market approach, income approach and cost approach. The approach or approaches deemed most relevant will then be selected for use.

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Third-party transactions in the equity of an enterprise generally represent the best estimate of fair value if they are done at arm's length.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/ the business entity. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

Cost Approach

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

Valuation Method Adopted

The valuation approach is determined based on professional judgment and technical expertise after detailed analysis on facts and circumstances. Key factors we have considered include, among other criteria, business nature and stage of development of the subject entity, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation.

The fair value of the equity interest in the Target Group is considered to be composed of two parts: 1) the value of Projexasia's principal business and 2) the value of a 50% interest in the Joint Venture.

Valuation of Projexasia's Principal Business

Given the nature and current development stage of the business operations of Projexasia and the availability of market information, it is considered that the Guideline Publicly-traded Comparable Method under the market approach is the most optimal method for this valuation. Both the cost approach and the income approach have been disclaimed and have also not been engaged as secondary approach to cross-check the valuation results derived from the market approach.

Under the cost approach, the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. The value of a service company like Projexasia is more driven by the future earnings to be generated than the value of its assets. It has developed its own brand, its business networks and customer relationship. These are the unidentifiable intangible assets that exist in the business but not capitalised. Therefore, the cost approach has been disclaimed.

For the income approach, the fair value of equity interest can be determined by the discounted cash flow analysis which relies on explicit financial forecasts which require many assumptions, including but not limiting to number of customers, product and service pricing, operating costs and their growth rates over the projection period. Being a project company and due to the impact of COVID-19, it is difficult to form a reliable basis for estimating various projection inputs. In the absence of reliable business projection, the income approach is considered to be not a reliable valuation approach for valuing the equity interest in Projexasia and has been disclaimed.

We have relied primarily on the Guideline Publicly-traded Comparable Method to value the business value of Projexasia because there are some closely comparable publicly traded entities with financial and operating characteristics similar to that of Projexasia can be identified. The market approach is simple to understand and employs more observable and comparable market data.

Valuation of the Joint Venture

The Joint Venture is a project company established with specific terms, there is no market comparable publicly traded entity considered as similar to it. In addition, as advised by the Management, there were unrecognised revenue and costs of services in relation to the JV Project not yet recorded by the Joint Venture as of 31 May 2021. Its book value as at 31 May 2021 has not yet captured all the economic benefits generating from the JV Project. Thus, we consider that the most appropriate valuation method for the Joint Venture is the discounted cash flow analysis under income approach, such that the remaining cash flows from the JV Project can be taken into account.

Guideline Publicly-traded Comparable Method

In the Guideline Publicly-traded Comparable method, the fair value is based on prices at which stocks of similar companies are trading in a public market. A "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company's financial statements.

Selection of Comparable Companies

A major requirement in applying the Guideline Publicly-traded Comparable method is to identify companies that are comparable to the subject company in terms of business nature and associated risks. Major selection criteria for this valuation are as follows:

1. Being principally engaged in similar business (i.e., over 90% revenue are generating from the provision of contracting construction services, preferably RMAA works and alteration and addition ("**A&A**") works)

2. Being a main contractor

3. Having a principal geographical segment in Hong Kong

4. Being listed on the Stock Exchange for more than 12 months

5. Being not the Company.

With the aid of the equity screening function in Bloomberg, we have identified a list of 9 companies, the shares of which are listed in Hong Kong as shown below. They are principally engaged in building construction sector as a main contractor for property projects in Hong Kong.

	Company Name	Stock Code/ Year of Listing	Major Service Line	% of revenue from RMAA and/A&A works of total revenue	Market Capitalisation as at the Appraisal Date *(HK$ million)*	Trailing 12 months Revenue *(HK$ million)*
1.	IBI Group Holdings Limited ("**IBI**")	1547 (2016)	RMAA works	Over 90%	208.0	513.1
2.	Smart City Development Holdings Ltd ("**Smart City**", formerly Deson Construction International Holdings Ltd)	8268 (2015)	A&A works	Over 90%	144.0	607.5
3.	Chi Ho Development Holdings Limited ("**Chi Ho**")	8423 (2017)	Renovation and maintenance works, and A&A works	Over 90%	167.2	281.7
4.	The Company	8305 (2018)	RMAA works and construction works	Over 90%	94.4	178.3

	Company Name	Stock Code/ Year of Listing	Major Service Line	% of revenue from RMAA and/A&A works of total revenue	Market Capitalisation as at the Appraisal Date *(HK$ million)*	Trailing 12 months Revenue *(HK$ million)*
5.	CR Construction Group Holdings Ltd ("**CR Construction**")	1582 (2019)	Building construction works and RMAA works for whole block buildings	Less than 15%	275.0	4,705.7
6.	Ching Lee Holdings Ltd ("**Ching Lee**")	3728 (2016)	Substructure building works, superstructure building works, and RMAA works	Less than 15%	181.3	908.8
7.	Golden Ponder Holdings Ltd ("**Golden Ponder**")	1783 (2018)	Superstructure building works; and RMAA works	Less than 5%	232.0	210.7
8.	Super Strong Holdings Ltd ("**Super Strong**")	8262 (2016)	General building works (building projects of residential and commercial buildings, and projects of alterations and additions, renovation, and fitting-out for existing buildings) and specialist building works (include demolition, foundation and site formation works)	N/A	264.0	138.7
9.	Ri Ying Holdings Ltd ("**Ri Ying**")	1741 (2018)	General building works (include superstructures, alteration and addition works); foundation and site formation works; and Other construction works (include slope works and demolition works)	N/A	1,032.0	223.6

Though RMAA works and A&A works are different in nature, they are both classified as minor works in Hong Kong. Projeaxia's revenue consists of many projects for RMAA works and A&A works, with a few high-value construction projects. IBI, Smart City and Chi Ho have similar product mix as Projeaxia and are selected as the comparable companies.

Though the Company meets our major selection criteria, being the potential acquirer of the Target Group, it is excluded from our final selection of the comparable companies.

CR Construction is mainly engaged in construction works for residential and commercial buildings, hotels, city university, hospital, villa and other buildings. Size and duration of its projects are much larger and longer than those of Projeaxia's projects. Thus, it is not selected as the comparable companies.

The work services provided by Ching Lee, Golden Ponder, Super Strong and Ri Ying are considered as less relevant to that of Projeaxia. They are mainly involved in the provision of substructure building works, superstructure building works, foundation and site formation works and other construction works. Thus, they are rejected as the comparable companies.

Based on the above criteria, we have conducted comprehensive research and came up with below exhaustive list of three comparable companies (the "**Comparable Companies**"). The Comparable Companies are considered as highly but not perfectly comparable with Projexasia in terms of capital structure, operating scale, product mix and business performance metrics. The inclusion of three comparable companies also accommodates the fact of not perfectly comparable business. As such, the below list of comparable companies is considered as fair and representative for the purpose of this valuation. A description of their business operation is summarised below:

Comparable Companies	**Stock Code**	**Description**
1. IBI Group Holdings Limited ("**IBI**")	1547	IBI is a Hongkong-based independent building contractor. The principal activities of the company are to act as a contractor focusing on providing renovation services as a main contractor for property projects. The company's project type includes corporate, leisure and hospitality, food and beverage, retail, education and medical center sectors. Its subsidiaries include IBI Corporate Holdings Limited, IBI Group Limited, IBI Limited, as well as IBI Projects Limited, among others. IBI and its subsidiaries operate in two principal geographical areas, Hong Kong and Macau.

		Due to the impact of COVID-19, IBI recorded lower revenue and net profit for the year ended 31 March 2021 as compared to prior year. Its revenue decreased by 13.2% to approximately of HK$513.1 million. It recorded a net profit of HK$54.1 million which included a profit of HK$43.9 million from investment in listed securities. The gross profit margin of its contracting and building solution business was approximately 7.0%. Over 97.9% of IBI's revenue was contributed by the business segment of contracting.
2. Smart City Development Holdings Ltd ("**Smart City**", formerly Deson Construction International Holdings Ltd)	8268	Smart City is an investment company and its principal businesses are (i) acting as a contractor in the building industry operating in Hong Kong, the People's Republic of China and Macau where it provides one-stop comprehensive services with the following three major types of services: (a) building construction works and related businesses; (b) electrical and mechanical engineering works; and (c) alterations, addition, renovation, refurbishment and fitting-out works; (ii) investment in securities, where Smart City invests in long term and short term investment in marketable securities; (iii) property investment in Hong Kong. Due to the impact of COVID-19, Smart City also recorded lower revenue from its construction business for the year ended 31 March 2021 as compared to last year. Its revenue decreased slightly by 3.2% to approximately of HK$606.1 million. Mainly because of the income from securities investment of approximately HK$10.3 million, Smart City reported a net profit of approximately HK$8.5 million for the year ended 31 March 2021. After excluding the portion generating from the securities investment segment, property investment segment business and money lending business segment, the gross profit margin was approximately 6.1%.

		Despite that over 98.1% revenue came from the construction business segment, the profitability for the year ended 31 March 2021 was mainly derived from the securities investment segment.
3. Chi Ho Development Holdings Limited ("**Chi Ho**")	8423	Chi Ho is an investment holding company principally engaged in the construction industry in Hong Kong. Together with its subsidiaries, Chi Ho is an established main contractor for the provision of RMAA works and fitting-out works, and site formation in Hong Kong. Chi Ho is responsible for the overall management, implementation and supervision of projects. Chi Ho focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors. Chi Ho had applied to transfer its listing from GEM to the Main Board of the Stock Exchange. However, the application has lapsed and there is no resubmission of application as of the Appraisal Date. Due to the impact of COVID-19, Chi Ho also recorded lower revenue for the year ended 31 March 2021 as compared to prior year. Its revenue decreased by 30.3% to approximately of HK$281.7 million. Because of higher gross profit margin and government subsidy income, its net profit increased by 9.9% to approximately HK$21.4 million. The gross profit margin and net profit margin were approximately 14.0% and approximately 7.6% respectively. All revenue is generated from the provision of the building renovation and construction service to external customers.

Market Multiple

In applying the Guideline Publicly-traded Comparable method, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. Then, we have applied the relevant industry multiples to the subject company to determine a value for the subject company that is on a freely-traded basis.

Three commonly used price multiples are (i) Price-to-earnings ("**P/E**") ratio; (ii) Price-to-revenue ("**P/S**") ratio; and (iii) Price-to-book value ("**P/B**") ratio.

The pre-requisite for the P/E ratio is being profit-making. COVID-19 has led to delays and short suspension of work in construction projects. This adversely affected the overall profitability of the construction sector in Hong Kong in 2020. Projexasia has incurred losses in 2020 and in the first five months ended 31 May 2021. The profitability of the Comparable Companies were also driven from investment income. Thus, the P/E ratio is considered as not appropriate.

Being a service company, Projexasia employees minimal fixed assets to generate its income. It is an asset-light company. Therefore, the P/B ratio is not suitable for this valuation.

Revenue is valuable only if, at some point, it can be translated into earnings. Due to keen market competition, market players are earning similar gross profit margins. Business model and costs structure of a construction management services provider, like Projexasia, are relatively straight-forward. As a service provider, staff costs are the major fixed operating costs. There is a strong linkage between revenue and profitability. Moreover, revenue provides some information about business scale and is less volatile than profitability. As such, the value ratios on revenue are considered as relevant to this valuation. To better provide a more comprehensive picture of the capital structure of Projexasia, we have applied the market value of enterprise value ("**EV**") multiple in this valuation. EV equals to the sum of (1) market capitalisation; (2) value of total debt; and (3) value of preferred equity and non-controlling interest; and then minus (4) cash and bank balances. EV is the value of a company's core business operations that is available to all shareholders (debt, equity, preferred, etc.). EV-to-revenue ("**EV/S**") is an expansion of the P/S valuation, which uses market capitalisation instead of EV. It is perceived to be more accurate than P/S, in part, because the market capitalisation alone does not take a company's debt into account when valuing the company, while EV does.

It is common to adopt the EV/S multiple to value businesses with similar revenue nature. It is also one of the widely adopted methods to appraise the value of businesses which are currently loss-making but with positive prospect of future profitability, like Projexasia.

The following table summarises both the historical and the latest publicly available financial information of the Comparable Companies as at 31 December 2019, 31 December 2020 and the Appraisal Date:

	EV *(Note 1)*			Revenue		
	31-12-19	**31-12-20**	**Appraisal Date**	**31-12-19**	**31-12-20**	**Appraisal Date** *(Note 2)*
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Comparable Companies						
IBI	167.1	128.5	120.6	585.1	530.8	513.1
Smart City *(Note 3)*	(10.3)	(59.7)	81.9	595.7	507.6	607.5
Chi Ho	369.4	213.5	174.5	334.3	327.9	281.7

Notes:

1. The market capitalisation was based on the last price as at the respective measurement date and extracted from the Bloomberg terminal.

2. Revenue was extracted from the annual reports and/or interim reports for the corresponding periods of the Comparable Companies.

3. EV becomes negative when the cash balance of the company is greater than the market capitalization and debt structure, signaling that the company can essentially be bought with its own cash.

The following table summarises the calculated EV/S ratios of the Comparable Companies as at 31 December 2019, 31 December 2020 and the Appraisal Date:

	EV/S ratio (times)		
	31-12-19 *(For Ref. only)*	**31-12-20** *(For Ref. only)*	**Appraisal Date**
Comparable Companies			
IBI	0.29	0.24	0.23
Smart City*	–	–	0.13
Chi Ho	1.10	0.65	0.62
EV/S ratio of Comparable Companies			
Average:	0.70	0.45	0.33
Median:	0.70	0.45	0.23
Average of IBI and Chi Ho only (selected)	–	–	0.43

* Negative EV/S ratio is excluded in our analysis.

During the year ended 31 March 2021, IBI and Smart City were also engaged in securities investment in listed equity investments and unlisted debt investments. For the financial year ended 31 March 2021, due to the adverse impact of COVID-19 on the construction sector, over half of their segmental profits were investment income. Nevertheless, it was not the case in the financial year ended 31 March 2020. As such, we consider that IBI and Smart City are still relevant comparable companies in terms of nature of revenue for this valuation while, similar to Projexasia, they were loss-making if excluding the investment income in their latest financial year.

We have further performed analysis on the EV/S ratio of the Comparable Companies as at 31 December 2019 (when there was no outbreak of COVID-19) and 31 December 2020. It is noted that Smart City had negative EV as at 31 December 2019 and 31 December 2020. The EV of Smart City varies widely over time and it may not be consistently applied to provide a representative and meaningful comparison. Therefore, it is considered as an outlier and the EV/S ratio of Smart City as at the Appraisal Date was not adopted in this valuation.

In conclusion, we consider that the average EV/S ratio of IBI and Chi Ho as at the Appraisal Date, of 0.43 is appropriate for this valuation.

The equity value of Projexasia's principal business equals to the product of the selected EV/S ratio and T12 Revenue, minus net debts.

Other than the operating assets and operating liabilities which are related to its principal business, the Target Group has certain non-operating assets on its statement of financial position as at 31 May 2021. Through the Guideline Publicly-traded Comparable method, we have derived the indicated business value from its principal business. Then, we have to add back 1) the fair value of a 50% equity interest in the Joint Venture; 2) the fair value of non-operating assets (including the financial assets at fair value through profit or loss ("**FVTPL**"), amount due from the Joint Venture and amount due from related parties), and then less 3) the fair value of non-operating liabilities (i.e., amount due to the shareholder) in order to arriving at the indicated fair value of the Target Group.

The Guideline Publicly-traded Comparable Method generally yields valuation information at the non-controlling, marketable level of value. The fair value derived from the above is further subject to the adjustments for control premium and discount for lack of marketability in order to derive the fair value of the controlling, non-marketable equity interest in the Target Group.

Control Premium

It is widely recognized that an investment which offers an investor control of a business is worth more than a minority stake. In valuation perspective, a shareholder with majority stake normally owns the control power in a company, and thus, a control premium is generally recognised.

According to the BVR/FactSet Control Premium Study for the first quarter of 2020 published by Business Valuation Resources, LLC, the average control premia was 26.80% while the median was 20.00%. Founded in 1995, Business Valuation Resources, LLC is an investment research firm which offers searchable empirical databases and content, as well as newsletters focusing on business valuation information. They provide market databases and analysis, cost of capital calculations and analyses and proprietary data on private and public company comparables. Their clients include business appraisers, CPAs, M&A professionals, business brokers, lawyers/judges, private equity and venture capital investors, CFOs and others.

The BVR/FactSet Control Premium Study analyses controlling-interest transactions where the target was a publicly-traded company. The sources of the information used include SEC/government/regulatory filings and public announcements for mergers & acquisition transactions.

In this valuation, the sale shares represent the entire equity interest, we consider that a 25.00% control premium, which lies between the average and the median of the BVR/FactSet Control Premium Study for the first quarter of 2020, is appropriate in this valuation.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

Based on our qualitative and quantitative analysis, a 50% discount is suggested for this valuation. It is determined with put option pricing model, which is one of the common methods in assessing the discount for lack of marketability for the shares of private entity, like the Target Group. The key inputs to the put option pricing model are the expected time to go public (i.e., 5 years which represents a remote chance of going public in foreseeable future), the 5-year risk-free rate in Hong Kong as at the Appraisal Date (i.e., 0.83%) and the average historical price volatility of the Comparable Companies' shares (i.e., 65.13%) while the stock price and the strike price equal to one.

Pursuant to the Stout Restricted Stock Study Companion Guide 2020 Edition, published by Stout Risius Ross, LLC (the "**Stout Restricted Stock Study**"), the discount for lack of marketability ranges from 0% to 91.3% with an average discount of 20.6% and a median discount of 15.8%. Lower market values, revenues, total assets and book values, and higher market-to-book ("**MTB**") ratios and stock price volatility, are correlated with higher discounts. Accordingly, higher investment risk, as reflected in smaller firm size, higher MTB ratios, and increasing stock price volatility, tends to increase the discount. Profitability is also often used as an indicator of firm risk.

The Stout Restricted Stock Study consists of over 750 restricted stock transactions with distinct transaction and company characteristics on which comparisons to a subject company can be made. The study represents the most widely used and accepted database available to valuators for discount for lack of marketability determination.

Since the historical turnover and profitability of the Target Group are relatively volatile, it is not unreasonable to have a high discount for lack of marketability.

Calculation of the fair value of a 100% controlling, non-marketable equity interest in the Target Group is summarised as follows:

		HK$
Revenue between 1 June 2020 and 31 May 2021	A	95,310,000
Multiplied by the selected EV/S ratio of the Comparable Companies	B	0.43
Indicated Value of a 100% EV of Projexasia	C= A x B	40,983,300
Less: Net debt balance	D	(14,708,000)
Indicative equity value of Projexasia	E = C – D	26,275,300
Add: Fair value of the investment in the Joint Venture *(Note 1)*	f	5,094,000
Add: Amount due from the Joint Venture *(Note 2)*	f	378,000
Add: Non-operating assets *(Note 3)*	f	10,390,000
Less: Non-operating liabilities *(Note 4)*	f	(304,000)
	F = Sum of f	15,558,000
Indicative equity value of the Target Group	G = E + F	41,833,300
Add: Control premium (25%)	H = G x 25%	10,458,000
	I = G + H	52,291,300
Less: Discount for lack of marketability (50%)	J = I x 50%	(26,146,000)
Fair value of 100% controlling, non-marketable equity interest in the Target Group (Rounded)	I - J	**26,145,000**

Notes:

1. It is estimated by the discounted cash flow method under income approach. Please refer to the next section "Discounted Cash Flow Analysis" for details.

2. Being the amount due from the Joint Venture. With reference to the fair value of the Joint Venture (see the next section), the balance is expected to be fully recoverable.

3. Being the total book values of financial assets at FVTPL and amounts due from related parties. Financial assets at FVTPL represent the total cash values of certain insurance policy for Projexasia's director issued by reputable insurance companies. In view of nature, it is assumed that their book values are close to their fair values as at the Appraisal Date and the default risks of the counterparties are considered to be immaterial.

These assets are held by Projexasia. These assets are not directly employed in its principal business (i.e., provision of construction management services), their value is not included in the indicative equity value of Projexasia that is derived from the Guideline Publicly-traded Comparable Method under the market approach.

Further details of the insurance policy for Projexasia's financial assets, including the insurance policy for Projexasia's director, is disclosed in note 16 of the accountant's report on the Target Company as set out in Appendix II to this circular.

4. Being the amount due to the Vendor and will be settled by the Target Group.

Discounted Cash Flow Analysis

The fair value of the Joint Venture is developed using the discounted cash flow analysis under income approach. Performing a discounted cash flow analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the subject entity. Forecasting cash flow to all investors requires the projection of revenues, operating expenses, taxes, working capital requirements, and capital expenditures for a future period. Projected cash flow to all investors must then be discounted to a present value using a discount rate, which appropriately accounts for the market cost of capital as well as the risk and nature of the subject cash flows.

As advised by the Management, the only outstanding item of the JV Project is the compilation of the final accounts and the issuance of the certification on the works performed by the customer. According to HKGAAP, contract income and the corresponding costs are recognised in the income statement based on the stage of completion. Thus, the unbilled revenue and costs are only recognised by the Joint Venture after the confirmation with its customer and its suppliers. As of 31 May 2021, and the Appraisal Date, such income and costs are not yet qualified for recognition.

Based on the information provided by the Management, the total contract sum of the JV Project is approximately HK$468.4 million including additional revenue recognised from variation orders and claims. As at the Appraisal Date, approximately HK$49,000,000 has not been settled by the client of the JV Project, however it has been mutually agreed between the parties of the JV Project that the aforementioned balance is expected to be settled within 12 months from the Appraisal Date. After deducting the outstanding payables in relation to the cost of the JV Project, the corresponding net cash inflow of the Joint Venture is expected to be approximately HK$8,551,000.

The net assets of the Joint Venture as at 31 May 2021 amounted to approximately HK$3,048,000 which was composed of financial assets and financial liabilities that were to be settled within 12 months from the reporting date.

The Joint Venture is expected to realise all its future economic benefits within 12 months from the Appraisal Date while the projection period of the Joint Venture's financial forecast is also 12 months from the Appraisal Date. In view of the nature of the Joint Venture's expected cash flows and the short projection horizon, the associated risks are considered as relatively low. The market cost of capital is expected to be low while the time value of money on the future cash flows is considered as immaterial. For simplicity, there is no discounting on the projected cash flows in this valuation.

The fair value of a 50% equity interest in the Joint Venture as at the Appraisal Date is calculated as follows:

	HK$
After-tax profits from the JV Project *(Note)*	7,140,000
Receipts from trade receivables and contract assets	13,313,152
Tax recoverable	1,231,672
Payments for trade and other creditors	(12,139,237)
Settlement of current accounts with shareholders of the Joint Venture	(507,259)
	9,038,328
Add: Cash and cash equivalents	1,149,277
Total cash flows available for distribution to equity shareholders	10,187,605
Fair value of a 50% equity interest in the Joint Venture (Rounded)	**5,094,000**

Note: Being the total after-tax profits expected from the JV Project (i.e., expected net income of HK$8,551,000 x (1 – tax rate of 16.5%)) after 31 May 2021. The expected credit loss on receipts from its customers is considered to be minimal and the future administrative costs of the Joint Venture is assumed to be immaterial. The time value of money is considered as insignificant and ignored in this valuation.

XI. VALUATION ASSUMPTIONS

A number of assumptions have to be established in order to sufficiently support our opinion of value. Major assumptions adopted in this appraisal are:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carries on its business;

2. There will be no major changes in the current taxation law in the country where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

3. There will be no material changes in the industry in which the Target Group involves that would materially affect the revenues, profits, cash flows attributable to the Target Group;

4. The Target Group and/or its partners will obtain the necessary licenses and approvals to provide its service;

5. Exchange rates and interest rates will not differ materially from those presently prevailing;

6. The availability of finance will not be a constraint on the forecasted growth of operations of the Target Group;

7. The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;

8. The Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

9. The Target Group will utilise and maintain its current operational, administrative and technical facilities to expand and increase its sales;

10. The Target Group will be able to secure funds to repay its debts when they fall due;

11. The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;

12. Industry trends and market conditions for related industries will not deviate materially from economic forecasts;

13. The final net income from the JV Project that is to be recognised by the Joint Venture after 31 May 2021 is approximately HK$8,551,000;

14. There are no material credit risks in the financial assets of the Target Group;

15. The fair values of the Target Group's non-operating assets and those of the Joint Venture's current assets as at the Appraisal Date are close to their carrying amounts as at 31 May 2021;

16. The Joint Venture is expected to settle all its assets and liabilities and distribute the final dividend to its shareholders within 12 months from the Appraisal Date;

17. There is no material change in the financial position of the Target Group between 31 May 2021 and the Appraisal Date; and

18. The Target Group has no material unrecorded and/or contingent asset/liability as at the Appraisal Date.

XII. OPINION OF VALUE

Based upon the investigation and analysis outlined above and the appraisal method employed, it is our opinion that the fair value of the entire equity interest in the Target Group as at 30 September 2021 is reasonably stated by the amount of **HONG KONG DOLLARS TWENTY-SIX MILLION ONE HUNDRED AND FORTY-FIVE THOUSAND ONLY (HK$26,145,000).**

This appraisal is conducted in conformity with the generally accepted accounting principles in Hong Kong and the International Valuation Standards. The valuation is based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Any variation to the assumptions and limiting conditions presented in the following report could seriously affect our opinion of value.

Although our valuation is intended to estimate fair value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

We have no obligation to update this report or our opinion of value for information that comes to our attention after the date of this report.

We hereby confirm that we are independent of and not connected with the Group, the Target Group and the Vendor, and have neither present nor prospective interests in them, or the values reported.

Respectfully submitted,
For and on behalf of
Royson Valuation Advisory Limited

Amy W.S. Chan
Director

Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants. She has been working in the valuation field for more than 11 years and has participated in over 1,000 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for numerous listed companies and private entities in different industries.