

14 March 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps, details of which are set out under the section headed “Letter from the Board” (“**Letter from the Board**”) in the circular of the Company to the Shareholders dated 14 March 2023 (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the circular of the Company dated 11 March 2020 in respect of the continuing connected transactions in relation to the 2020 Master Lease Agreement, pursuant to which members of the Group entered into various individual lease agreements with the Owners for leasing certain premises from the Owners during the term of the 2020 Master Lease Agreement.

As stated in the Letter from the Board, given that all such individual leases (if not terminated earlier), together with the 2020 Master Lease Agreement will expire on 31 March 2023 and the Group expects to continue to lease the relevant Existing Premises from the Owners after the expiry of the relevant leases, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

Asia Power is the holding company of various companies (being the Owners) holding various properties in Hong Kong and other places in the world.

As at the Latest Practicable Date, Dr. Tsang, being an executive Director, chairperson of the Board and a controlling Shareholder, was interested in 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company), and the spouse of Dr. Tsang was interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company). By virtue of Asia Power being wholly owned by a family trust set up by Dr. Tsang, Asia Power is a connected person of the Company and the Leasing Arrangements under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Annual Caps is more than 25%, the Leasing Arrangements under the 2023 Master Lease Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Since Dr. Tsang is materially interested in the 2023 Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the Annual Caps.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In addition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Annual Caps exceeds 25% but is lower than 100%, the Leasing Arrangements under the 2023 Master Lease Agreement also constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in relation to this transaction and to provide a confirmation in relation to the sufficiency of working capital statement as contained in Appendix I to the Circular ("**Our Engagements**"), there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with Our Engagements, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, representations and opinions provided to us by the Directors and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Group for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate up to the date of the despatch of the Circular. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the EGM.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statements contained in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other information or representations the omission of which would make any statements in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Group, nor have we conducted any independent investigation into the business and affairs of the Company, Asia Power or their respective subsidiaries or associates.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the 2023 Master Lease Agreement and the Annual Caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration for the 2023 Master Lease Agreement and the respective Annual Caps.

1. Background of and reasons for entering into the 2023 Master Lease Agreement

As stated in the Letter from the Board, the Group is a renowned beauty salon group in Hong Kong offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China and Singapore.

Asia Power is a company incorporated in the British Virgin Islands with limited liability. It is wholly owned by a family trust set up by Dr. Tsang and is principally engaged in investment holdings and thus also a connected person of the Company.

Currently, the Existing Premises are being used in the ordinary and usual course of the business of the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses). As stated in the Letter from the Board, given that the 2020 Master Lease Agreement and the individual lease agreements entered into pursuant thereto will expire on 31 March 2023 and the Group expects that it will continue to lease the Existing Premises after the expiry of the respective Existing Lease Agreements on 31 March 2023, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

The Group has entered into master lease agreement with Asia Power since 2011 on successive terms and based on the previous experience, the Board realizes that it is inevitable for the Group to increase or reduce the number of the individual leases with the Owners based on the actual market sentiment and the operational needs of the Group. Therefore, the Board considers that the 2023 Master Lease Agreement should be in the form of a framework agreement rather than an agreement with fixed term in order to give flexibility to management of the Group to alter the location of the leased properties with the relevant Owners in view of the ever-changing business environment.

In addition, given that it has been the intention of the Group to continue to lease the Existing Premises from the Owners for its own use and depending on the operational needs of the Group, the Group may lease Additional Premises from the relevant Owner(s) and/or switch the leased premises from one location to another location, the Company considers that the entering into of the 2023 Master Lease Agreement will shelter the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry. On the other hand, the 2023 Master Lease Agreement also allows the Group to lease Additional Premises from the Owners at market prices from time to time during the term of the 2023 Master Lease Agreement, which would provide the Group with operational convenience to expand its network of service centres when business opportunities arise.

Please refer to the Letter from the Board for the location of the Existing Premises, which are expected to continue to be leased by the Group under the 2023 Master Lease Agreement.

We noted from the annual report 2021/22 of the Company that the Group is a leader of the beauty industry in Hong Kong offering professional treatments as well as quality services and products to customers. The Group's business can be divided into 5 business lines, including beauty and facial, sliming, spa and massage, aesthetics services and sales of skincare and wellness products. As at 30 September 2022, according to the interim report 2022/23 of the Company, the Group had a total of thirty beauty and wellness service centers in Hong Kong, 8 stores in Hong Kong for selling skincare and wellness products, 3 service centres in mainland China and 7 beauty and wellness service centres in Singapore. Taking into account the business segments of the Group, we consider that customer experience is very important to the business of the Group. Therefore, the entering into of the 2023 Master Lease Agreement to lease premises as its operating facilities is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In addition, the 2023 Master Lease Agreement can offer flexibility to the Group to lease Additional Premises from the Owner(s) from time to time at market prices during its term and also to protect the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry.

2. Principal terms of the 2023 Master Lease Agreement

Pursuant to the 2023 Master Lease Agreement, the Group will enter into separate lease agreements to lease certain premises from the relevant Owners from time to time during the term of the 2023 Master Lease Agreement. We have reviewed and compared the terms of the 2023 Master Lease Agreement and the 2020 Master Lease Agreement and noted that, save for the annual caps, there is no material difference between the terms of the aforesaid agreements.

As stated in the Letter from the Board and under the 2023 Master Lease Agreement,

- (i) the 2023 Master Lease Agreement shall be for a term commencing from 1 April 2023 and ending on 31 March 2026. The individual lease agreement may be terminated by the Company by (i) giving Asia Power at least sixty days' written notice of termination; or by (ii) paying the Owner one-month rental in lieu of such notice. On the contrary, the Owner is not entitled to early terminate the individual lease agreement by notice.

- (ii) each of the leases to be entered into between the Group and the relevant Owners pursuant to the 2023 Master Lease Agreement will have a term commencing on or after 1 April 2023 and expiring on (i) the expiration or earlier termination of its own terms; or (ii) 31 March 2026, whichever is earlier;
- (iii) each individual lease to be entered into shall be on normal commercial terms or better (within the meaning of Chapter 14A of the Listing Rules);
- (iv) the amount of rental (exclusive of rates, government rent and management fees) under each such lease shall be determined by the parties to such individual lease with reference to the then prevailing market rents on premises comparable in location, area and permitted use owned by independent third parties (“**Comparable Premises**”) provided that before each such individual lease under the 2023 Master Lease Agreement is entered into, the Group shall, at its own cost and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rent of the premises with reference to the market rent of the Comparable Premises and the rent to be set out in the relating Leasing Arrangement under the 2023 Master Lease Agreement shall be **no more than** such prevailing market rent and the effective date of the opinion shall not be more than three months;
- (v) pursuant to the agreed form of the individual tenancy agreement to be entered into by the Group and the relevant Owner(s) appended to the 2023 Master Lease Agreement, the Lessee shall pay the rent to the relevant Owner(s) in Hong Kong dollars in advance on the first day of each and every calendar month during the term of the relevant lease(s); and
- (vi) The government rent, rates and management fee under each individual lease under the 2023 Master Lease Agreement will be paid to the government or, as the case may be, the management companies by the relevant tenant direct.

Further details regarding the terms of the 2023 Master Lease Agreement are set out in the Letter from the Board.

(i) Review of the pricing basis under the 2023 Master Lease Agreement

We have discussed with the management of the Group and note that for the purpose of ascertaining the prevailing market rents of the Comparable Premises, the Group shall, at its own cost and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rents, and the rents to be set out in the relevant leasing agreements shall be no more than such prevailing market rents and the valuation date of the opinion shall not be more than three months of the respective tenancy agreements.

We note that such pricing basis is the same as that under the 2020 Master Lease Agreement. In order to review whether such pricing basis is feasible, we have requested the Group to provide (i) ten tenancy agreements entered into between the Group and the Owners under the 2020 Master Lease Agreement (“**Previous Tenancy Agreements**”); and (ii) the relevant valuation reports issued by Roma Appraisals Limited (“**Valuer**”), an independent property valuer appointed by the Group, for ascertaining the then prevailing market rents for the Previous Tenancy Agreements (“**Previous Valuation Reports**”). The aggregate prevailing monthly rent of the premises selected under the ten tenancy agreements as at 1 January 2023, according to the opinion of the independent property valuer, amounted to approximately HK\$1.7 million, representing approximately 59.2% of the aggregate prevailing monthly rent of the Existing Premises of HK\$2,891,438.30 as at 1 January 2023. Since the samples selected cover majority of the aggregate prevailing monthly rent of the Existing Premises, we consider that those samples would be representative in nature, and adequate and sufficient for assessment purpose.

Based on our review of the Previous Tenancy Agreements and the Previous Valuation Reports, as well as discussion with the management of the Group, we note that (i) the valuation dates as stated in the Previous Valuation Reports are not more than three months prior to the dates of the respective Previous Tenancy Agreements; and (ii) the rent paid under each of the Previous Tenancy Agreements was less than the prevailing market rents as stated in the respective Previous Valuation Reports, both of which are in accordance with the aforementioned pricing policy.

In addition, having considered the current business environment, it is the intention of the Group to negotiate for a discount, which will range from 2-10% but in respect of all the Leasing Arrangements as a whole will not be less than 5% of the aggregate monthly fair rent (“**Additional Discount**”), for the monthly rental (as compared to the fair rents in the relevant property valuation reports) when the Group enters into the individual lease with the respective Owners. We also understand from the management of the Group that Asia Power has in principle agreed to giving such discount under the Leasing Arrangements. Based on our discussion with the management of the Group, we understand that the negotiation on the Additional Discount will be conducted on arm’s length basis and since the fair market rent as stated in the relevant valuation report already shows the fair rent of the relevant property and therefore the Additional Discount will be fair and reasonable and to the additional benefit of the Company and the Shareholders as a whole.

As discussed with the Valuer, the valuation of the relevant rental is prepared based on the comparison approach by reference to comparable market rents for Comparable Premises in assessing the market rents of the properties.

We further understand from the Valuer that the Comparable Premises are selected based on the criteria that (i) the relevant comparable transactions were entered into and/or the Comparable Premises involved were close to the valuation date; and (ii) the Comparable Premises were of the same nature, similar size and/or in vicinity to the relevant premises for rental, if not, appropriate adjustment would be made to account for such differences. We have discussed with the Valuer on the above selection criteria and note that the above is in line with the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council, which is an acceptable valuation standard prescribed under the Listing Rules. We consider that the selection criteria are in line with the industry standard and fair and reasonable to reflect the recent market rents of the relevant premises as the Comparable Premises selected are those relevant comparable transactions available in the market and include those offered by the independent third parties.

In light of the above, we consider that actual rent payable by the Group under any individual lease to be entered into pursuant to the 2023 Master Lease Agreement will be on normal commercial terms or better. We also concur with the management of the Group that there are adequate measures in place to ensure that the rents paid by the Group are in accordance with the prevailing market rents, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Internal control

As stated in the Letter from the Board, the Group has established internal control procedures as follows:

- (1) as regards the individual lease agreement of the Leasing Arrangement, the determination of the monthly rental will be made reference to the fair rent opinion issued/to be issued by the independent property valuer;
- (2) the Group will monitor, on a monthly basis, the performance by the parties to the individual leases to be entered into pursuant to the 2023 Master Lease Agreement from time to time to ensure that the obligations of the relevant parties are properly discharged. For example, the Group will monitor if the relevant members of the Group will duly pay the rent as required under the individual lease agreement and on the other hand, the Group will also monitor the Owners' obligations under the same, such as whether the Owners will keep in good condition and proper repair the structural parts of the relevant properties;

- (3) the Group will semi-annually review the amount of the lease liability recognised in the Group's financial statements so as to ensure that the payments made/to be made are within the relevant Annual Caps;
- (4) the Group will annually provide the following information: (i) the aggregate rental amount payable by the Group to Asia Power under the Leasing Arrangements; (ii) the right-of-use assets for the corresponding year; and (iii) the status of compliance with the Annual Caps with the audit committee of the Board for consideration;
- (5) the audit committee of the Board will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group at least twice a year; and
- (6) the auditors of the Group will, in addition to its interim review and year-end audit, conduct annual review of the Leasing Arrangements and confirm to the Board as to whether such Leasing Arrangements are indeed conducted in accordance with the terms of the 2023 Master Lease Agreement and the individual leases in all material aspects, on normal commercial terms and in accordance with the pricing policy of the Group and whether the Annual Caps have been complied with. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Group.

The Company is satisfied that it has an adequate system of controls to safeguard the Leasing Arrangements, and to provide information for the independent non-executive Directors and auditors to properly review the Leasing Arrangements annually.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the continuing connected transactions (including but not limited to the transactions contemplated under the 2023 Master Lease Agreement) are subject to the following annual review requirements:

- (1) independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and

- (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (2) the Company must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - (d) have exceeded the cap.

Regarding the above internal control procedures, we have interviewed a leasing officer of the property department of the Company who is responsible for the preparation of individual lease agreement and note that he is familiar with the internal control procedures. The management of the Group also confirms that the independent non-executive Directors and, after further discussion with the auditors, the auditors will comply with the above internal control procedures.

In addition, as mentioned above in our review of the Previous Tenancy Agreements under the 2020 Master Lease Agreement and the Previous Valuation Reports, we note that the rents paid under each of the Previous Tenancy Agreements were indeed not higher than the respective prevailing market rents as stated in the Previous Valuation Reports, i.e. no less favourable to the Group.

Accordingly, based on our interview regarding the internal control procedures and our confirmation with the relevant staff, we consider that the above internal control procedures are enforceable and in place to ensure that the prices paid by the Group are in accordance with the prevailing market prices and no less favourable to the Group.

3. Annual Caps

The table below sets out the Annual Caps for the three years ending 31 March 2026.

	For the year ending 31 March		
	2024	2025	2026
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Annual Caps under the 2023			
Master Lease Agreement	<u>119</u>	<u>6</u>	<u>3</u>

The rents paid by the Group to the subsidiaries of Asia Power under the 2020 Master Lease Agreement for each of the two years ended 31 March 2022 and the rent paid/payable for the year ending 31 March 2023 amounted to approximately HK\$30.3 million, HK\$31.4 million and HK\$33.6 million respectively. The annual caps pursuant to the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were HK\$115.2 million, HK\$7.1 million and HK\$3.6 million respectively (“**Previous Annual Caps**”). The utilization rate of the Previous Annual Caps for premises leased under the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were 82.4%, 26.1% and 37.1% respectively. The relatively low utilization of the Previous Annual Caps for the year ended 31 March 2022 and year ending 31 March 2023 was mainly due to there was a delay in the number of properties leased as compared to the original plan of the Company for the year ended 31 March 2022 and the year ending 31 March 2023 as a result of COVID-19 pandemic.

The Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group include HKFRS 16 “Leases” which has come into effect on 1 January 2019 and is applicable to financial years starting on or after 1 January 2019. Under HKFRS 16, the Group, as the lessee, shall recognize the total rental payments payable to the relevant Owners under the 2023 Master Lease Agreement as a right-of-use asset and a lease liability in the consolidated statement of the financial position of the Group.

Based on the opinion of the independent property valuer, the aggregate prevailing monthly rent of the Existing Premises as at 1 January 2023 is HK\$2,891,438.30. On such basis, the annual rent for leasing such premises is thus HK\$34,697,259.60 and the estimated value of the right-of-use asset for the Existing Premises for the year ending 31 March 2024 amounts to approximately HK\$99,430,066. Such amount is calculated by discounting the estimated total rents of the Existing Premises for the three years ending 31 March 2026 with the discount rate of the Group’s incremental borrowing rate in accordance with HKFRS 16.

A buffer of approximately 20%, being approximately HK\$19.6 million (“**2024 Buffer**”) has been added to such value of the right-of-use asset to cater for new leases for other additional New Premises that may be leased from the Owner(s) for the year ending 31 March 2024. As a result, the Annual Cap for the year ending 31 March 2024 is fixed at HK\$119 million.

We have discussed with the management of the Group and understand that the Group intends to continue to lease all the Existing Premises, and the Group would recognize such in its financial statements as right-of-use asset of approximately HK\$99.4 million for the year ending 31 March 2024, representing approximately 83.5% of the Annual Cap for the year ending 31 March 2024.

We understand that the Group may also lease Additional Premises, for its own use during the three years ending 31 March 2026 in accordance with the pricing policies as stated in the 2023 Master Lease Agreement. We understand from the management of the Group that the 20% buffer for the Annual Caps is determined with reference to the Group’s intention to rent two additional service centres in prime areas to capture the business recovery following the improvement in the COVID-19 conditions. In order to see if the buffer is fair and reasonable, we have taken into account the annual fair market rents of the Group’s certain service centres in Hong Kong and Kowloon, including the one at Sugar Street in Causeway Bay, Hong Kong and the one at BCC Building, Carnarvon Road, Kowloon, with fair annual market rents of approximately HK\$2.8 million and HK\$3.6 million respectively. Assuming the Group is going to lease these two service centres at similar rents, the Group will recognise the new leases as the right-of-use asset in its financial statements at the commencement date in accordance with the HKFRS 16. The aggregate maximum amount of right-of-use asset for these new leases will amount to approximately HK\$18.3 million and the 2024 Buffer would almost been fully utilised.

We understand from the management of the Group that, depending on the business needs of the Group, the number and location of the services centres, offices, retail shops and warehouses may change during the three years ending 31 March 2026. In order to allow flexibility to the Group to enter into additional leasing arrangements with the relevant Owner(s) during the two years ending 31 March 2026 under the 2023 Master Lease Agreement, the Directors have fixed the Annual Caps for the two years ending 31 March 2026 to be HK\$6 million and HK\$3 million respectively (“**2025 and 2026 Annual Caps**”). We have discussed with the management of the Group and understand that the 2025 and 2026 Annual Caps are set based on the assumption that the Group may further open two mid-sized service centres. Assuming an aggregate annual rental amount of HK\$2.4 million (representing a total monthly rents of HK\$200,000), which is at a level similar to the existing mid-sized service centres operated by the Group, the aggregate maximum amount to be recognised as right-of-use asset for the two years ending 31 March 2026 is approximately HK\$4.7 million and HK\$2.4 million respectively and the 2025 and 2026 Annual Caps would almost been used up.

In view of the above and based on our review on the calculation of the Annual Caps, we are of the view that the Annual Caps are determined by the Group after due and careful consideration and concur with the view of the management of the Group that the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as they would offer more flexibility to the Group in the Leasing Arrangements with the Owners.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote for the ordinary resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited



Yau Wai
Managing Director

Ms Yau Wai is a responsible officer and sponsor principal of Akron Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Ms. Yau has over 18 years of experience in the corporate finance industry.