# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Summit Ascent Holdings Limited**, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



# SUMMIT ASCENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 102)**

## (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANIES; (2) CHANGE IN USE OF PROCEEDS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

**Financial Adviser to Summit Ascent**

**Independent Financial Adviser to the Independent SA Board Committee and the Independent SA Shareholders**

Capitalised terms used in this cover page shall have the same meanings as those defined in "Definitions" in this circular.

A letter of advice from the Independent Financial Adviser to the Independent SA Board Committee and the Independent SA Shareholders is set out on pages 28 to 58 of this circular. The letter from the Independent SA Board Committee containing its recommendation to the Independent SA Shareholders is set out on page 27 of this circular.

A notice convening the SGM to be held at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 11:00 a.m. on Friday, 14 July 2023 is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of Summit Ascent, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (exclusive of any part of the day that is a public holiday) before the time appointed for the holding of the SGM (i.e. 11:00 a.m. on 12 July 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

28 June 2023

# CONTENTS

*In this circular, unless otherwise stated:*

*(1) all references to times and dates are references to Hong Kong time;*

*(2) all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules; and*

*(3) for illustrative purposes only when translated, (a) HK$ was translated to JPY at the exchange rate of HK$1.0 to JPY17.35; and (b) US$ was translated to HK$ at the exchange rate of US$1.0 to HK$7.75.*

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| "associate" | has the meaning ascribed to it under the Listing Rules |
| "Astrum" or "Independent Financial Adviser" | Astrum Capital Management Limited, a corporation licensed by the Securities and Futures Commission to carry Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, being the independent financial adviser appointed by Summit Ascent with the approval of the Independent SA Board Committee for the purpose of advising the Independent SA Board Committee and the Independent SA Shareholders in respect of the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder respectively |
| "Business Day" | a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong through their normal business hours |
| "BVI" | the British Virgin Islands |
| "Call Option" | has the meaning as defined in "THE CALL OPTION AND THE CALL OPTION PARCEL" in this circular |
| "Call Option Parcel" | has the meaning as defined in "THE CALL OPTION AND THE CALL OPTION PARCEL" in this circular |
| "Change in SA Proceeds" | has the meaning as defined in "CHANGE IN USE OF PART OF THE NET PROCEEDS FROM THE SA RIGHTS ISSUE AND THE SA PLACING" in this circular |
| "Completion" | completion of the Sale and Purchase Agreement A and the Sale and Purchase Agreement B |
| "Completion A" | completion of the Sale and Purchase Agreement A |
| "Completion B" | completion of the Sale and Purchase Agreement B |

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| "Completion Date" | Within ten (10) Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent to the relevant Sale and Purchase Agreement or such other date as LET and Summit Ascent or the Independent Vendor and Summit Ascent (as the case may be) may agree in writing |
| "Conditions Precedent A" | the conditions precedent to the Sale and Purchase Agreement A as set out in "The Sale and Purchase Agreement A – Conditions Precedent A" in this circular |
| "Conditions Precedent B" | the conditions precedent to the Sale and Purchase Agreement B as set out in "The Sale and Purchase Agreement B – Conditions Precedent B" in this circular |
| "connected person" | has the meaning ascribed to it under the Listing Rules |
| "Consideration A" | the consideration of HK$142.8 million payable by Summit Ascent to LET under the Sale and Purchase Agreement A |
| "Consideration B" | the consideration of HK$137.2 million payable by Summit Ascent to the Independent Vendor under the Sale and Purchase Agreement B |
| "controlling shareholder" | has the meaning ascribed to it under the Listing Rules |
| "COVID-19" | novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness |
| "Deeds of Indemnity" | has the meaning as defined in "The Sale and Purchase Agreement B – The Deeds of Indemnity" in this circular |
| "Enlarged Group" | the SA Group and the Target Groups immediately upon Completion |
| "EUR" | the lawful currency of the member states of the European Union |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IEZ Primorye" | has the meaning as defined in "CHANGE IN USE OF PART OF THE NET PROCEEDS FROM THE SA RIGHTS ISSUE AND THE SA PLACING" in this circular |

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| "Independent SA Board Committee" | the independent board committee of the SA Board comprising all the independent non-executive SA Directors established to advise the Independent SA Shareholders on, among other matters, the fairness and reasonableness of the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder respectively |
| "Independent SA Shareholders" | the SA Shareholders, other than LET, Victor Sky, Mr. Lo and their respective associates, who have no material interest in the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder respectively |
| "Independent Third Party(ies)" | third party(ies) independent of and not connected with Summit Ascent and any connected person of Summit Ascent and is itself not a connected person of Summit Ascent |
| "Independent Valuer" or "Valuer" | Vincorn Consulting and Appraisal Limited |
| "Independent Vendor" | Solid Impact Limited, a limited liability company incorporated in BVI whose ultimate beneficial owner is Mr. Clayton Ip who is an Independent Third Party |
| "Joint Announcement" | the joint announcement of LET and Summit Ascent dated 18 May 2023 in relation to, among other things, the LET Disposal and the SA Acquisitions |
| "JPY" | Japanese Yen, the lawful currency of Japan |
| "Land Parcel" | the property comprising 28 adjoining land parcels located in Nishihara, Aza Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan with a total site area of approximately 108,799 square meters wholly-owned by MSRD |
| "Latest Practicable Date" | 26 June 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular |
| "LET" | LET Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1383) |
| "LET Directors" | the directors of LET and each an "LET Director" |
| "LET Disposal" | the disposal of Target Company A by LET pursuant to the Sale and Purchase Agreement A |

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| "LET Group" | LET and its subsidiaries from time to time, including the SA Group and the Suntrust Group |
| "LET Shareholders" | the holders of the issued LET Shares |
| "LET Shares" | ordinary shares of par value of HK$0.1 each in the issued and unissued share capital of LET |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Main Hotel Casino" | a hotel casino located at Entertainment City, Manila, the Philippines |
| "Miyakojima City" | Miyakojima City in Okinawa Prefecture, Japan |
| "Mr. Lo" | Mr. Lo Kai Bong |
| "MSRD" | MSRD Corporation Limited, a company incorporated in Japan held as to 51.0% by Target Company A and 49.0% by Toprich and whose principal asset is the Land Parcel |
| "Original SPA" | has the meaning as defined in "THE CALL OPTION AND THE CALL OPTION PARCEL" in this circular |
| "percentage ratios" | has the meaning as defined in Rule 14.07 |
| "PHP" | Philippine peso, the lawful currency of the Philippines |
| "PRC" | the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "PSE" | The Philippine Stock Exchange, Inc. |
| "Revolving Loan" | the revolving loan facility of an amount not exceeding HK$500,000,000 previously proposed to be provided by Summit Ascent to LET under and pursuant to the Revolving Loan Agreement |
| "Revolving Loan Agreement" | the conditional revolving loan agreement dated 27 January 2023 in relation to the Revolving Loan entered into between Summit Ascent as lender and LET as borrower, details of which were disclosed in the Revolving Loan Announcement |

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| "Revolving Loan Announcement" | the joint announcement of LET and Summit Ascent dated 27 January 2023 in relation to, among other things, the Revolving Loan |
| "Revolving Loan Termination Announcement" | the joint announcement of LET and Summit Ascent dated 10 May 2023 in relation to, among other things, the Termination Deed |
| "RMB" | the lawful currency of the PRC |
| "Russia" | the Russian Federation |
| "Russia-Ukraine Conflict" | the ongoing conflict between Russia and Ukraine since February 2014 that escalated in February 2022 |
| "SA Acquisitions" | the acquisition of Target Company A and Target Company B pursuant to the Sale and Purchase Agreement A and the Sale and Purchase Agreement B respectively and the transactions contemplated respectively thereby |
| "SA Board" | the board of SA Directors |
| "SA Directors" | directors of Summit Ascent and each, a "SA Director" |
| "SA Group" | Summit Ascent and its subsidiaries from time to time |
| "SA Placing" | the placing of new SA Shares under general mandate of Summit Ascent completed on 19 August 2019 |
| "SA Placing Announcement" | the announcement of Summit Ascent dated 25 July 2019 in relation to, among other things, the SA Placing |
| "SA Placing Completion Announcement" | the announcement of Summit Ascent dated 19 August 2019 in relation to, among other things, the completion of the SA Placing |
| "SA Prospectus" | the prospectus of Summit Ascent dated 18 September 2020 in relation to, among other things, the SA Rights Issue |
| "SA Rights Issue" | the rights issue of Summit Ascent on the basis of three (3) rights shares for every two (2) SA Shares completed on 15 October 2020 at the subscription price of HK$0.6 per rights share as disclosed in the circular of Summit Ascent dated 14 August 2020 and the SA Prospectus |

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| "SA Rights Issue Results Announcement" | the announcement of Summit Ascent dated 14 October 2020 in relation to, among other things, the results of the SA Rights Issue |
| "SA Shareholders" | the holders of the issued SA Shares |
| "SA Shares" | ordinary shares of par value of HK$0.025 each in the issued and unissued share capital of Summit Ascent |
| "Sale and Purchase Agreement A" | the conditional sale and purchase agreement dated 18 May 2023 pursuant to which amongst other things, LET (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the Sale Loan A |
| "Sale and Purchase Agreement B" | the conditional sale and purchase agreement dated 18 May 2023 pursuant to which amongst other things, the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the Sale Loan B |
| "Sale and Purchase Agreements" | collectively, the Sale and Purchase Agreement A and the Sale and Purchase Agreement B |
| "Sale Loan A" | the outstanding non-interest bearing liabilities owed by Target Company A to the LET as at Completion Date |
| "Sale Loan B" | the outstanding non-interest bearing liabilities owed by Target Company B to the Independent Vendor as at Completion Date |
| "Sale Share A" | the sale share representing 100% of the issued share capital of Target Company A as at Completion Date |
| "Sale Share B" | the sale share representing 100% of the issued share capital of Target Company B as at Completion Date |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of Summit Ascent to be convened and held to consider, among others, the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated respectively thereunder |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

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| "Summit Ascent" | Summit Ascent Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued SA Shares are listed on the Main Board of the Stock Exchange (stock code: 102) and a 69.66% non-wholly owned subsidiary of LET |
| "Suntrust" | Suntrust Resort Holdings, Inc., formerly known as Suntrust Home Developers, Inc., a company incorporated in the Philippines, the issued shares of which are listed on the PSE (stock code: SUN) and an indirect 51% non-wholly owned subsidiary of LET |
| "Suntrust Group" | Suntrust and its subsidiaries from time to time |
| "Target Companies" | collectively, Target Company A and Target Company B |
| "Target Company A" | Modest Achieve Limited, a limited liability company incorporated in BVI and a direct wholly-owned subsidiary of LET |
| "Target Company B" | Joyful Award Limited, a limited liability company incorporated in BVI and a direct wholly-owned subsidiary of the Independent Vendor |
| "Target Group A" | Target Company A and its subsidiaries from time to time |
| "Target Group B" | Target Company B and its subsidiaries from time to time |
| "Target Groups" | Target Group A and Target Group B collectively |
| "Termination Deed" | the deed of termination dated 10 May 2023 pursuant to which Summit Ascent and LET mutually agreed to terminate the Revolving Loan Agreement |
| "Toprich" | Toprich Business Investment Limited, a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of Target Company B |
| "Total Consideration" | collectively, Consideration A and Consideration B |
| "United States" | the United States of America |
| "US$" | United States dollars, the lawful currency of the United States |
| "Valuation" | the valuation of the Land Parcel of JPY5,007,000,000.0 (equivalent to approximately HK$288.6 million) as at 30 April 2023 prepared by the Independent Valuer |

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| "Valuation Report" | the valuation report on the market value of the Land Parcel as at 30 April 2023 prepared by the Independent Valuer, the text of which is set out in Appendix V to this circular |
| "Victor Sky" | Victor Sky Holdings Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of LET |
| "%" | per cent |

*In case of inconsistency, the English text of this circular shall prevail over its Chinese text.*

凱升控股有限公司

# SUMMIT ASCENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 102)**

*Executive SA Directors:*
Mr. Lo Kai Bong *(Chairman)*
Mr. Chua Ming Huat David *(Chief Executive Officer)*
Mr. Chiu King Yan

*Independent non-executive SA Directors:*
Mr. Lam Kwan Sing
Mr. Lau Yau Cheung
Mr. Li Chak Hung

*Registered Office:*
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Principal place of business in Hong Kong:*
Unit 1704, 17th Floor, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

28 June 2023

*To the SA Shareholders*

Dear Sir/Madam,

## (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANIES; (2) CHANGE IN USE OF PROCEEDS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Reference is made to the Joint Announcement dated 18 May 2023 in relation to, among other things, the LET Disposal, the SA Acquisitions and the transactions contemplated thereunder respectively.

On 18 May 2023 (after trading hours), Summit Ascent, entered into the Sale and Purchase Agreements with LET and the Independent Vendor, pursuant to which amongst other things, (i) LET (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the Sale Loan A at a consideration of HK$142.8 million; and (ii) the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the Sale Loan B at a consideration of HK$137.2 million. Target Company A directly holds and Target Company B indirectly holds 51% and 49% interest in MSRD respectively, whose sole material asset is the Land Parcel. Upon Completion, Target Company A and Target Company B will be directly wholly-owned by Summit Ascent and accordingly Summit Ascent will have 100% interest in the Land Parcel.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreements and the transactions contemplated thereunder; (ii) financial information on the Target Companies; (iii) financial information on the SA Group immediately post-Completion; (iv) the Valuation Report prepared by the Independent Valuer on the Land Parcel; (v) a letter of recommendation from the Independent SA Board Committee to the Independent SA Shareholders; (vi) a letter of advice from the Independent Financial Adviser to the Independent SA Board Committee and the Independent SA Shareholders; (vii) other information as required under the Listing Rules; and (viii) a notice convening the SGM.

**THE SALE AND PURCHASE AGREEMENT A**

The principal terms of Sale and Purchase Agreement A are set out below:

Date : 18 May 2023

Parties : (1) LET (as seller); and

(2) Summit Ascent (as buyer)

As at the Latest Practicable Date, LET is the controlling shareholder of Summit Ascent, interested in, directly and indirectly, an aggregate of approximately 69.66% of the SA Shares in issue, and therefore a connected person of Summit Ascent.

**Assets to be acquired**

Pursuant to Sale and Purchase Agreement A, LET conditionally agreed to sell, and Summit Ascent conditionally agreed to purchase, the Sale Share A, representing the entire issued share capital of Target Company A and the Sale Loan A.

**Consideration A**

The aggregate consideration for the sale and purchase of the Sale Share A and the Sale Loan A shall be HK$142.8 million and which shall be apportioned as follows:

(a) the consideration for the assignment of the Sale Loan A shall be HK$142,799,992.0; and

(b) the consideration for the transfer of the Sale Share A shall be HK$8.0.

Consideration A shall be payable in cash by Summit Ascent to LET at Completion. The total Consideration A of HK$142.8 million was determined after arm's length negotiations among LET, the Independent Vendor and Summit Ascent in regard to the market value of the Land Parcel, being HK$288.6 million according to the Valuation.

**Conditions Precedent A**

Completion A is subject to and conditional upon, among others, the fulfillment or waiver (as the case may be) of the following conditions:

(1) Summit Ascent being satisfied with the results of the due diligence review to be conducted at its sole and absolute discretion;

(2) the passing by the Independent SA Shareholders of relevant resolution(s) at the SGM in compliance with the requirements of the Listing Rules approving the Change in SA Proceeds and the Sale and Purchase Agreement A and the transactions contemplated thereunder;

(3) the passing by the LET Shareholders of relevant resolution(s) at an extraordinary general meeting of LET in compliance with the requirements of the Listing Rules approving the Sale and Purchase Agreement A and the transactions contemplated thereunder (if required);

(4) the obtaining of a valuation report (in the form and substance satisfactory to Summit Ascent) from the Valuer showing the Valuation of the Land Parcel as at 30 April 2023 is not less than JPY5.0 billion;

(5) all necessary consents, licences and approvals required to be obtained on the part of LET in respect of the Sale and Purchase Agreement A and the transactions contemplated thereby having been obtained and remain in full force and effect;

(6) all necessary consents, licences and approvals required to be obtained on the part of Summit Ascent in respect of the Sale and Purchase Agreement A and the transactions contemplated thereby having been obtained and remain in full force and effect;

(7) LET's warranties remaining true, accurate and complete in all material respects;

(8) Summit Ascent's warranties remaining true, accurate and complete in all material respects; and

(9) the entering into of the Sale and Purchase Agreement B and fulfillment of all Conditions Precedent B (save for the condition that the Sale and Purchase Agreement A having become unconditional).

Summit Ascent may at its absolute discretion at any time waive in writing the above conditions precedent (1) and (7). LET may at its absolute discretion at any time waive in writing the above condition precedent (8). If the Conditions Precedent A have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on 31 August 2023, or such later date as LET and Summit Ascent may agree in writing, the Sale and Purchase Agreement A shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breach.

As at the Latest Practicable Date, other than (4) above which has been fulfilled and (3) above which is not required, none of the other Conditions Precedent A have been satisfied or waived.

## THE SALE AND PURCHASE AGREEMENT B

The principal terms of Sale and Purchase Agreement B are set out below:

Date : 18 May 2023

Parties : (1) the Independent Vendor (as seller); and

(2) Summit Ascent (as buyer)

To the best of the SA Directors' knowledge, information and belief, and having made all reasonable enquiries, the Independent Vendor and its ultimate beneficial owner are Independent Third Parties. The Independent Vendor is principally engaged in investment holding.

### Assets to be acquired

Pursuant to Sale and Purchase Agreement B, the Independent Vendor conditionally agreed to sell, and Summit Ascent conditionally agreed to purchase, the Sale Share B, representing the entire issued share capital of Target Company B and the Sale Loan B.

### Consideration B

The aggregate consideration for the sale and purchase of the Sale Share B and the Sale Loan B shall be HK$137.2 million and which shall be apportioned as follows:

(a) the consideration for the assignment of the Sale Loan B shall be HK$137,199,992.0; and

(b) the consideration for the transfer of the Sale Share B shall be HK$8.0.

Consideration B shall be payable in cash by Summit Ascent to the Independent Vendor at Completion. The total Consideration B of HK$137.2 million was determined after arm's length negotiations among LET, the Independent Vendor and Summit Ascent in regard to the market value of the Land Parcel, being HK$288.6 million according to the Valuation.

### Conditions Precedent B

Completion B is subject to and conditional upon, among others, the fulfillment or waiver (as the case may be) of the following conditions:

(1) Summit Ascent being satisfied with the results of the due diligence review to be conducted at its sole and absolute discretion;

(2) the passing by the Independent SA Shareholders of relevant resolution(s) at the SGM in compliance with the requirements of the Listing Rules approving the Change in SA Proceeds and the Sale and Purchase Agreement B and the transactions contemplated thereunder;

(3) the passing by the LET Shareholders of relevant resolution(s) at an extraordinary general meeting of LET in compliance with the requirements of the Listing Rules approving the Sale and Purchase Agreement B and the transactions contemplated thereunder (if required);

(4) the obtaining of a valuation report (in the form and substance satisfactory to Summit Ascent) from the Valuer showing the Valuation of the Land Parcel as at 30 April 2023 is not less than JPY5.0 billion;

(5) all necessary consents, licences and approvals required to be obtained on the part of the Independent Vendor in respect of the Sale and Purchase Agreement B and the transactions contemplated thereby having been obtained and remain in full force and effect;

(6) all necessary consents, licences and approvals required to be obtained on the part of Summit Ascent and LET in respect of the Sale and Purchase Agreement B and the transactions contemplated thereby having been obtained and remain in full force and effect;

(7) the Independent Vendor's warranties remaining true, accurate and complete in all material respects;

(8) Summit Ascent's warranties remaining true, accurate and complete in all material respects; and

(9) the entering into of the Sale and Purchase Agreement A and fulfillment of all Conditions Precedent A (save for the condition that the Sale and Purchase Agreement B having become unconditional).

Summit Ascent may at its absolute discretion at any time waive in writing the above conditions precedent (1) and (7). The Independent Vendor may at its absolute discretion at any time waive in writing the above condition precedent (8). If the Conditions Precedent B have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on 31 August 2023, or such later date as the Independent Vendor and Summit Ascent may agree in writing, the Sale and Purchase Agreement B shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breach.

As at the Latest Practicable Date, other than (4) above which has been fulfilled and (3) above which is not required, none of the other Conditions Precedent B have been satisfied or waived.

**THE CALL OPTION AND THE CALL OPTION PARCEL**

One of the 28 lots, Lot No. 785-3 (the "**Call Option Parcel**"), with a site area of approximately 1,968 square meters, representing approximately 1.81% of the total site area of the Land Parcel, comprising the Land Parcel is subject to a call option (the "**Call Option**") in favour of Miyakojima City under the original sale and purchase agreement (the "**Original SPA**") dated 29 October 2018 in relation to the original sale of the Call Option Parcel only (for the avoidance of doubt, not including the remaining 27 lots comprising the Land Parcel) by Miyakojima City, pursuant to which if the owner of the Call Option Parcel breaches relevant conditions under the Original SPA including the case where Miyakojima City determines that the Call Option Parcel has not been used in relation to the construction of a hotel facility, Miyakojima City may exercise the Call Option or cancel the Original SPA to reclaim the Call Option Parcel at a purchase price of JPY5,189,500.0 (equivalent to approximately HK$299,107.0) and administration costs. The Original SPA and the Call Option Parcel do not affect the remaining 27 lots comprising the Land Parcel.

As at the Latest Practicable Date, as no development has proceeded in the Land Parcel, MSRD may be in breach of the Original SPA and accordingly Miyakojima City may have the right to exercise the Call Option and/or cancel the Original SPA to reclaim the Call Option Parcel.

As at the Latest Practicable Date, the Call Option Parcel almost entirely consists of a public unpaved road (the "**Road**") developed by Miyakojima City that provides the only public access to a public beach that is not part of the Land Parcel. The Road and the Call Option Parcel run through the middle of the Land Parcel. However, based on the SA Group's primary development plans for the Land Parcel, no major development is planned inside the Call Option Parcel nor requires utilising the Road, therefore the SA Board considers that even if the Call Option is exercised or the Original SPA is cancelled, the disposal of the Call Option Parcel is unlikely to affect the SA Group's development plans for the Land Parcel. The Land Parcel has other adjacent public paved roads that will allow customers access to the Land Parcel that the SA Group plans to utilise.

Even in the situation that Miyakojima City reclaims the Call Option Parcel for its own uses, due to the shape and size of the Call Option Parcel (i.e. the approximate the shape and size of the Road), any potential changes to the Call Option Parcel in such situation is unlikely to affect the SA Group's development of the Land Parcel. It is to the understanding of the SA Group, that any changes to the usage of the Call Option Parcel by the Miyakojima City is subject to an approval process. Accordingly, if Miyakojima City chooses to reclaim the Call Option Parcel and change its usage from the existing Road, such process will take time that will allow the SA Group to evaluate any potential effects on the Land Parcel and to negotiate with Miyakojima City or alter development plans as needed to ensure any planned or completed developments in the Land Parcel are unaffected by such reclamation and any future plans by Miyakojima City in relation to the Call Option Parcel. The SA Group also plans to enter such negotiations with Miyakojima City regarding the Original SPA and the Call Option Parcel whilst seeking approval for its developments plans for the Land Parcel to safeguard its investment before proceeding with any major development.

Taking into account the abovementioned factors and the Deeds of Indemnity to be entered into as disclosed below, the SA Board considers that the Call Option or the possible cancellation of the Original SPA will not have a material adverse effect on the SA Acquisitions, the SA Group's development plans for the Land Parcel or the SA Group's operations.

As at the Latest Practicable Date, to the best of the SA Directors' knowledge, information and belief, having made all reasonable enquiries, it is unknown whether Miyakojima City will exercise the Call Option and/or cancel the Original SPA as no indication has been made. In the event that the Call Option is exercised or the Original SPA is cancelled, LET and Summit Ascent will comply with all applicable requirements under the Listing Rules.

**The Deeds of Indemnity**

Under the Sale and Purchase Agreements, LET and the Independent Vendor as the indemnifying parties and Summit Ascent as the indemnified party will enter into deeds of indemnity (the "**Deeds of Indemnity**") pursuant to which LET and the Independent Vendor agree to indemnify Summit Ascent on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which Summit Ascent may incur or suffer arising from or in connection with the Original SPA and the Call Option.

Based on the difference between the approximate value of the Call Option Parcel of approximately HK$5,220,000 derived by applying the size of the Call Option Parcel of 1,968 sq. meters multiply by the weighted average unit rate of JPY23,009 per sq. meter as adopted in the valuation report in Appendix V and the plot ratio of 2.0 as adopted in the valuation report in Appendix V and divided by the exchange rate and the Call Option Price or the purchase price received by Miyakojima City (as the case may be), it is expected that LET and the Independent Vendor will pay a sum of approximately HK$4,920,000 to Summit Ascent pursuant to the Deeds of indemnity if the Call Option is exercised or the Original SPA is cancelled. The approximate value of the Call Option Parcel is an estimate with reference to the site area of the Call Option Parcel and the unit rate per square meter as adopted in the Valuation.

Taking into account the abovementioned factors, the SA Board considers that the entering into of the Deeds of Indemnity is fair and reasonable and in the best interests of the SA Shareholders.

**Completion**

The Sale and Purchase Agreements are inter-conditional upon each other. Upon compliance with or fulfilment (or waiver) of all the Conditions Precedent A and Conditions Precedent B, Completion A shall take place contemporaneously with Completion B at 4:00 p.m. on the Completion Date.

Upon Completion, all of the companies under Target Group A and Target Group B will become wholly-owned subsidiaries of Summit Ascent and indirectly non-wholly owned subsidiaries of LET and the financial results of all of the companies under Target Group A and Target Group B will be consolidated into those of the SA Group and will continue to be consolidated into those of the LET Group.

## VALUATION

The value of the Land Parcel under the Target Company A in the books of the LET Group as at 31 December 2022, the date of its latest audited published accounts, was approximately HK$268.7 million. The Land Parcel has been held by the LET Group for more than twelve (12) months.

According to the Valuation Report prepared by the Independent Valuer, an Independent Third Party and a property valuer, as at 30 April 2023, the value of the Land Parcel was JPY5,007,000,000.0 (equivalent to approximately HK$288.6 million) which was determined on the basis of the "market approach", an approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The "market approach" is universally considered the most accepted valuation approach for valuing most forms of property when suitable comparables are available as it refers to real market data on the market value of similar properties. The principal valuers for the Valuation have over 25 and 13 years of experience respectively in asset appraisal especially in Asia.

As disclosed in the Valuation Report, aside from the market approach, the two other principal valuation approaches under the HKIS Valuation Standards 2020 and the International Valuation Standards are the "income approach" and "cost approach". The income approach was not adopted by the Independent Valuer because it is commonly adopted for income producing properties such as offices, shops and arcades but the property is currently a vacant land without a potential to generate any immediate income.

The cost approach was also not adopted by the Independent Valuer because it is based on the aggregate of the depreciated replacement costs of any existing buildings and the market cost of acquiring the land and is usually only applied when there is a lack of comparable transactions in the market. The Land Parcel currently has no existing buildings and relevant land sale comparables for the property are available in the prevailing market.

Making reference to the Valuation Report as set out in Appendix V to this circular, the Valuation was prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standard published by the International Valuation Standard Council effective from 31 January 2022 and the requirements set out in Chapter 5 of the Listing Rules.

It was noted from the Valuation Report, that the Valuation makes reference to five land sales, based on an exhaustive comparables search, on Miyakojima Island, where the Land Parcel is located, that were completed within a year of the date of the Valuation Report, within 10 kilometers of the Land Parcel and for accommodation use. The chosen time frame ensures the comparable land sales reflect current market conditions and sentiment while also providing a sufficient sample size and the chosen distance and usage ensures the comparable land sales better reflect the market value of the Land Parcel as location and usage are principal factors in the valuation of land. It is also noted that adjustments were made by the Independent Valuer between the referenced comparables in terms of time, location and configuration in reference to the Land Parcel. The SA Directors consider such selection criteria and adjustments for the comparables are fair and reasonable and in line with industry practices when utilising the market approach for valuing similar properties as the Land Parcel.

It was noted from the Valuation Report that the Valuation was made with the following assumptions (i) that the seller sells the Land Parcel in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Land Parcel; (ii) no allowances have been made for any charges, mortgages or amounts owing on the Land Parcel, nor for any expenses or taxations which may be incurred in effecting a sale; (iii) that the Land Parcel is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the Land Parcel; and (iv) as the Land Parcel is held under freehold interests, that the owner has free and uninterrupted rights to use the Land Parcel. The SA Directors consider such assumptions to be fair and reasonable and typical assumptions made in the valuation of similar properties.

Having reviewed and taken into account (i) the scope of work of the Valuation; (ii) the Independent Valuer's qualifications and experience in relation to the preparation of the Valuation Report; (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation; (iv) the methodology (i.e. the market approach) used by the Independent Valuer which is the most common methodology used for the valuations of the Land Parcel; (v) the comparables referenced by the Independent Valuer; and (vi) the assumptions made by the Independent Valuer for the Valuation which are in line with industry practices, the SA Board is of the opinion that the Valuation is fair and reasonable.

**INFORMATION OF LET GROUP AND SA GROUP**

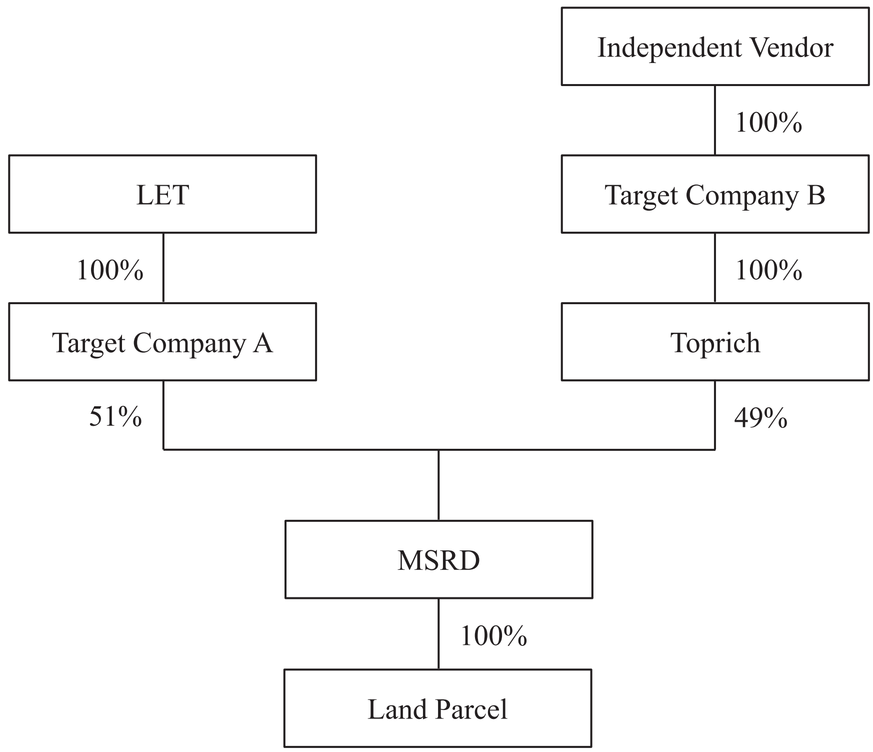
LET is an investment holding company incorporated in the Cayman Islands with limited liability. The LET Group is principally engaged in (i) through the Suntrust Group, the development and operation of the Main Hotel Casino in the Philippines; (ii) through the SA Group, the operation of the hotel and gaming business in the IEZ Primorye in Russia; (iii) property development in Japan; and (iv) management and operation of malls in the PRC.

Summit Ascent is an investment holding company incorporated in Bermuda with limited liability. The SA Group is principally engaged in the operation of the hotel and gaming business in the IEZ Primorye in Russia. The gaming and hotel operations of the SA Group are conducted through its 77.5% equity interest in Oriental Regent Limited, an indirect non-wholly owned subsidiary of Summit Ascent. Summit Ascent is an approximately 69.66% owned subsidiary, in aggregate directly and indirectly, of LET.

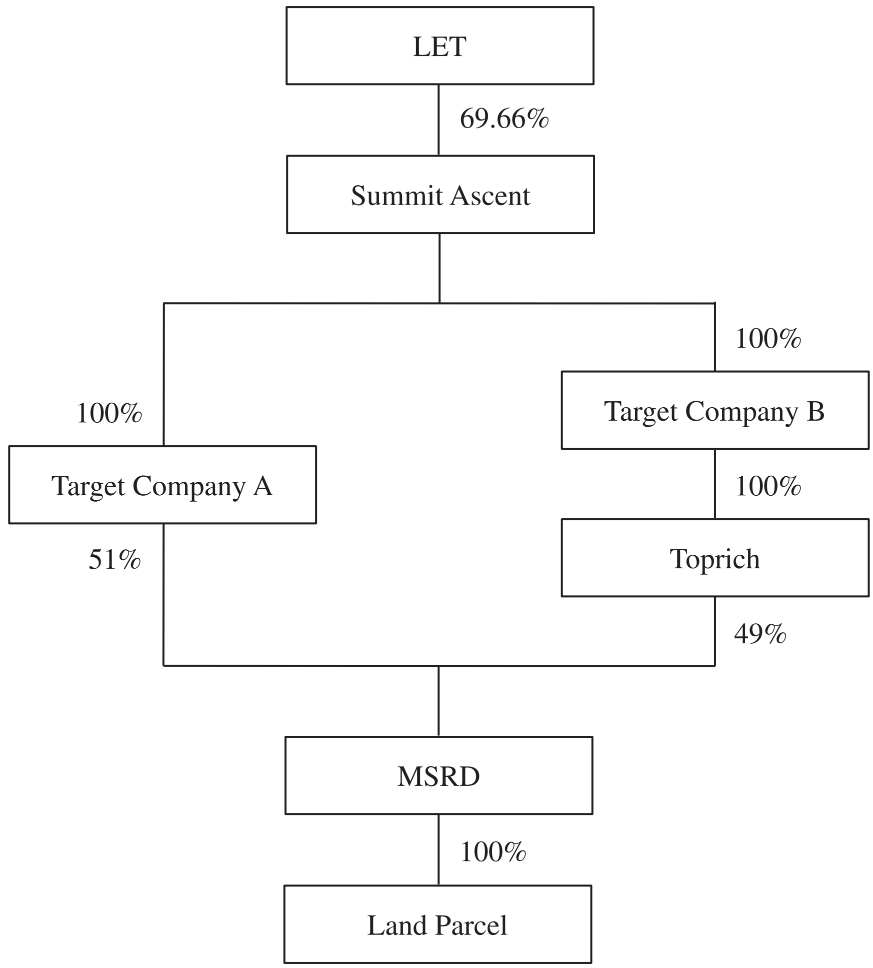
## INFORMATION OF THE INDEPENDENT VENDOR AND THE TARGET GROUPS

### Shareholding structure of the Target Groups

Set out below is the shareholding structure of the Target Groups as at the Latest Practicable Date:



Set out below is the shareholding structure of the Target Groups upon Completion:




The Independent Vendor is an investment holding company that is principally engaged in investment holding.

Target Company A is an investment holding company and a wholly-owned subsidiary of LET immediately before and after Completion. Target Company A will be a wholly-owned subsidiary of Summit Ascent upon Completion. Target Company A is principally engaged in investment holding.

Target Company B and Toprich are investment holding companies wholly-owned by the Independent Vendor immediately before Completion. Target Company B will be a wholly-owned subsidiary of Summit Ascent upon Completion. Target Company B and Toprich are principally engaged in investment holding.

MSRD is an investment holding company principally engaged in property development in Japan. The sole material asset of MSRD is the Land Parcel.

**The Land Parcel**

The Land Parcel comprises 28 adjoining land parcels located in Nishihara, Aza Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan with a total site area of approximately 108,799 square meters. As at the Latest Practicable Date, the Land Parcel largely consists of undeveloped land.

**Financial information of Target Group A**

Set out below is the audited consolidated financial information of Target Group A for the period from 1 January 2023 to 30 April 2023 and the audited consolidated financial information of Target Group A for the year ended 31 December 2022:

| | For the period from 1 January 2023 to 30 April 2023 | For the year ended 31 December 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (audited) | (audited) |
| Revenue | – | – |
| Loss before taxation | 2,271 | 15,184 |
| Loss after taxation attributable to shareholder | 1,597 | 13,101 |

Target Group A had audited consolidated net liabilities attributable to shareholder of approximately HK$38,227,000 as at 30 April 2023

**Financial information of Target Group B**

Set out below is the audited consolidated financial information of Target Group B from its date of incorporation (i.e. 1 March 2023) to 30 April 2023:

| | For the period from 1 March 2023 (date of incorporation) to 30 April 2023 |
|---|---|
| | *HK$'000* |
| | (audited) |
| Revenue | – |
| Loss before taxation | 1,205 |
| Loss after taxation | 1,205 |

Target Group B had audited consolidated net liabilities of approximately HK$1,205,000 as at 30 April 2023.

**REASONS FOR AND BENEFITS OF THE SA ACQUISITIONS**

As disclosed in the SA Placing Announcement, all of the net proceeds from the SA Placing of approximately HK$297.0 million would be applied to further develop the SA Group's hotel and gaming business in the IEZ Primorye of the Russian Far East.

As disclosed in the SA Prospectus, approximately 37.1% of the net proceeds from the SA Rights Issue or HK$601.4 million would be applied for the Phase II development of Tigre de Cristal, which is the SA Group's gaming and hotel property in the IEZ Primorye of the Russian Far East.

Since the beginning of 2020, the COVID-19 epidemic has had serious negative impacts on the global economy and severely affected tourism, which also hindered the pre-construction phase, including design, procurement of construction materials tendering and associated payments of Tigre de Cristal Phase II. While the Russian tourism industry is slowly recovering from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the significant escalation in the Russia-Ukraine Conflict since late February 2022. The United States, the European Union and their allies have imposed an unprecedented range of sanctions and export controls on Russia, which aim at weakening its ability to finance the special military operation including, but not limited to, removal of major Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication. A lot of large global corporations have also voluntarily suspended their operations in Russia. Several governments have banned Russian aircraft from their airspace and have issued travel advisories calling on their nationals to avoid travel to Russia. The Russian government responded with a mutual ban for these countries. The escalation in conflict and sanctions have a negative effect on the motivation and choices for international tourists to freely travel into and out of Russia, which affects Tigre de Cristal's customer base. There is currently no indication on when the military conflict and the related sanctions will end.

Taking into account the abovementioned effects and uncertainties of the Russia-Ukraine Conflict, the SA Board does not have a positive outlook for Tigre de Cristal and is of the opinion that developing Phase II would result in significantly increased expenditures with minimal potential return on investment in the current economic environment.

With the SA Group's investment in Suntrust since 2020, the SA Group intends to expand its reach in Asia to diversify its geographical presence and mitigate some of the risks related to principally relying on Tigre de Cristal. In April 2023, Japan approved a plan to build the country's first-ever casino in the western port city of Osaka, aimed at attracting domestic and global tourist spending, and "become a tourism base that disseminates the charm of Japan to the world" according to the Prime Minister of Japan. Other related industries can also reap the benefits of casino tourism, such as the hospitality industry. The SA Group intends to develop the Land Parcel into a luxury hotel with seaside cabins. As the SA Group has rich experience in building and operating a fivestar hotel, Tigre de Cristal, which was nominated to the World Travel Awards five times since its opening in 2015 and won "Russia's Leading Resort" in 2018, and was also named "Russia's Best Casino Hotel" at the World Casino Awards in 2021, there is strong potential synergy with Japan's plans and cross selling opportunities for its integrated resort business. Based on the preliminary construction plan of the Land Parcel, it is expected that after Completion, the SA Group will utilise approximately HK$125 million on the design, planning and to fund in part the future development of the Land Parcel.

The SA Directors have reviewed the working capital needs and projections of the SA Group to ensure the Change in SA Proceeds will not affect the SA Group's ordinary business operations. Based on the annual report of Summit Ascent for the year ended 31 December 2022, the SA Group has a strong balance sheet with minimal debt and ample cash reserves for the operations of Tigre de Cristal as at 31 December 2022. The SA Group also recorded a net profit after tax and positive cash flow from operating activities for the year ended 31 December 2022. The SA Group is currently in a strong position to expand and diversify its operations.

As at the Latest Practicable Date, Target Company A owed an amount of approximately HK$174.5 million to LET Group and Target Company B owed an amount of approximately HK$80.7 million to the Independent Vendor respectively, representing an aggregate of HK$255.2 million. The Total Consideration is based entirely upon the Valuation of HK$288.6 million and represents a discount of approximately 3.0% to the Valuation.

Taking into account the abovementioned factors, the SA Board (other than the Independent non-executive SA Directors whose option are expressed in the letter from the Independent SA Board Committee after taking into account the advice from the Independent Financial Adviser) is of the view that SA Acquisitions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and, while not in the ordinary and usual course of business of the SA Group, in the interests of Summit Ascent and the SA Shareholders as a whole. Mr. Lo, being common director of LET and Summit Ascent and the controlling shareholder of LET and Summit Ascent, is regarded as having a material interest (or as the case may be, potential conflict of interest) in the SA Acquisitions and the transactions contemplated thereunder. At the meeting of the SA Board approving the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder, Mr. Lo had abstained from voting on the relevant resolutions.

## LISTING RULES IMPLICATIONS

### Chapter 14

When aggregated, as one or more of the applicable percentage ratios in respect of the SA Acquisitions under Rule 14.07 of the Listing Rules exceeds 25% but all of the applicable percentage ratios are below 100%, the SA Acquisitions constitute as a major transaction for Summit Ascent under the Listing Rules and is subject to the reporting, announcement, circular and SA Shareholders' approval requirements under Chapter 14 of the Listing Rules.

**Chapter 14A**

LET is the controlling shareholder of Summit Ascent, interested in, directly and indirectly, an aggregate of approximately 69.66% of the SA Shares in issue, and therefore a connected person of Summit Ascent. The Sale and Purchase Agreement A together with the transactions contemplated thereunder constitute a connected transaction for Summit Ascent under Chapter 14A of the Listing Rules. Given LET is a substantial shareholder of MSRD and a controller of Summit Ascent for being its controlling shareholder, the Sale and Purchase Agreement B together with the transactions contemplated thereunder also constitute a connected transaction for Summit Ascent under Rule 14A.28 of the Listing Rules. Accordingly, the Sale and Purchase Agreements and the transactions contemplated thereunder constitute as a connected transaction for Summit Ascent under the Listing Rules and the Sale and Purchase Agreements and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent SA Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**INDEPENDENT SA BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent SA Board Committee, comprising all the independent non-executive SA Directors, has been established to advise and give recommendation to the Independent SA Shareholders on the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder.

Astrum has been appointed to advise the Independent SA Board Committee and the Independent SA Shareholders on, among other matters, the fairness and reasonableness of the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder.

**CHANGE IN USE OF PART OF THE NET PROCEEDS FROM THE SA RIGHTS ISSUE AND THE SA PLACING**

The SA Placing Announcement and the SA Placing Completion Announcement originally indicated that all the net proceeds from the SA Placing of approximately HK$297.0 million would be applied to further develop the SA Group's hotel and gaming business in the IEZ Primorye of the Russian Far East.

The SA Prospectus and the SA Rights Issue Results Announcement originally indicated that approximately 37.1% of the net proceeds from the SA Rights Issue or HK$601.4 million would be applied for Phase II development of Tigre de Cristal, which is the SA Group's gaming and hotel property in the IEZ Primorye of the Russian Far East.

As disclosed in "REASONS FOR AND BENEFITS OF THE SA ACQUISITIONS" in this circular, the impact of Russia-Ukraine Conflict has severely affected the economy in Russia and the ability for tourists to freely travel into and out of Russia which, in turn, severely affects the outlook of Tigre de Cristal. Accordingly the SA Group's Phase II development of Tigre de Cristal has been suspended. Part of the net proceeds from the SA Rights Issue and the SA Placing to the extent of approximately HK$186.4 million and approximately HK$292.9 million respectively originally intended for use in the Phase II development of Tigre de Cristal is not required for immediate use by the SA Group for the moment.

As disclosed in the Revolving Loan Announcement, the SA Group intended to utilise part of the net proceeds from the SA Rights Issue and the SA Placing to the extent of approximately HK$186.4 million and approximately HK$292.9 million respectively originally intended for use in the Phase II development of Tigre de Cristal for the Revolving Loan. As disclosed in the Revolving Loan Termination Announcement, on 10 May 2023 LET and Summit Ascent mutually agreed to terminate the Revolving Loan Agreement and entered into the Termination Deed, therefore, the SA Group no longer intends to utilise the aforementioned net proceeds for the Revolving Loan.

The SA Group intends to utilise the aforementioned net proceeds of approximately HK$479.3 million as to (i) HK$280.0 million for the settlement of the Total Consideration; (ii) HK$125.0 million for designing, planning and funding in part the future development of the Land Parcel; and (iii) the remaining approximately HK$74.3 million for general working capital or potential investment opportunities of the SA Group (the "**Change in SA Proceeds**"). As the SA Group does not intend to proceed with the Phase II development of Tigre de Cristal at this moment and the development of the Land Parcel is currently still in preliminary stages and does not require any large capital commitments, the SA Group intends to expand its available cash reserves so that the SA Group can practically seize any potential expansion and diversification opportunities.

Having considered the expansion and diversification opportunities to the SA Group in deploying the original portion of the net proceeds from the SA Rights Issue and the SA Placing for the Phase II development of Tigre de Cristal in the total amount of approximately HK$479.3 million as to (i) HK$405.0 million for the acquisition and subsequent development of the Land Parcel; and (ii) approximately HK$74.3 million for general working capital or potential investment opportunities of the SA Group, the SA Board is of the view that the proposed change in use of the original portion of the net proceeds from the SA Rights Issue and the SA Placing for Phase II development of Tigre de Cristal (i) to settle the Total Consideration; (ii) to fund the design and planning for the development of the Land Parcel; and (iii) for general working capital or potential investment opportunities of the SA Group will not have any material adverse effect on the existing business and operations of the SA Group and is fair and reasonable and in the interests of Summit Ascent and the SA Shareholders as a whole. The Change in SA Proceeds is subject to the approval of the Independent SA Shareholders' at the SGM.

**SGM AND VOTING**

The SGM will be convened and held by Summit Ascent at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 11:00 a.m. on Friday, 14 July 2023 to consider and, if thought fit, approve the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder.

At the SGM, any SA Shareholders with a material interest in the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder are required to abstain from voting on the proposed resolutions to be put forward to the Independent SA Shareholders at the SGM for approving these transactions. Mr. Lo is a common director of LET and Summit Ascent and is the controlling shareholder of LET and Summit Ascent, being indirectly interested in approximately 72.07% of the issued LET Shares and 69.77% of the issued SA Shares. Accordingly, LET and its associate, Victor Sky, each holding 123,255,000 SA Shares and 3,018,306,811 SA Shares respectively (representing an aggregate of approximately 69.66% interest in SA Shares in issue), and Mr. Lo's associates, Better Linkage Limited and Ever Smart Capital Limited, each holding 520,000 SA Shares and 4,452,000 SA Shares respectively (representing an aggregate of approximately 0.11% interest in SA Shares in issue), will therefore be abstained from voting on the resolutions proposed to be put forward to the Independent SA Shareholders at the SGM for the purpose of approving the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder. Save as aforementioned, to the best of the SA Directors' knowledge, information and belief, having made all reasonable enquiries, no other SA Shareholders are materially interested in the Change in SA Proceeds and the SA Acquisitions and the transactions contemplated thereunder who are required to abstain from voting at the SGM on these resolutions.

A notice convening the SGM is set out on page SGM-1 to SGM-3 of this circular and a form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of Summit Ascent, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours (exclusive of any part of the day that is a public holiday) before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire.

In compliance with the Listing Rules, voting on the resolutions to be proposed at the SGM will be conducted by way of poll.

## RECOMMENDATION

The Independent SA Board Committee, comprising all the independent non-executive SA Directors, namely Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung, has been established to advise the Independent SA Shareholders as to whether (i) the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent SA Shareholders are concerned; and (ii) the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder are in the interests of Summit Ascent and the SA Shareholders as a whole.

Your attention is drawn to the letter from the Independent SA Board Committee set out on page 27 of this circular which contains its recommendation to the Independent SA Shareholders in relation to the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 28 to 58 of this circular which contains its advice to the Independent SA Board Committee and the Independent SA Shareholders in this regard.

The Independent SA Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent SA Shareholders are concerned, and the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder, while not in the ordinary and usual course of business of the SA Group, is in the interests of Summit Ascent and the SA Shareholders as a whole. Accordingly, the Independent SA Board Committee recommends the Independent SA Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder.

**FINANCIAL EFFECTS OF THE SA ACQUISITIONS**

Upon Completion, the SA Group will have acquired 100% interest in the Land Parcel and the financial results of the Target Companies will be consolidated in the consolidated financial statements of the SA Group.

Upon Completion, it is expected that the SA Group's assets would increase by approximately HK$280.0 million, based on the Total Consideration paid for the SA Acquisitions, which would be offset by the decrease in cash and bank balances of approximately HK$280.0 million. The SA Acquisitions are not expected to have any material effect on the total assets, total liabilities and earnings of the SA Group.

**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the Appendices to this circular.

**WARNING NOTICE**

**The Sale and Purchase Agreements may or may not proceed as they are subject to satisfaction (or waiver) of all the respective conditions under the Sale and Purchase Agreements. Shareholders and potential investors of Summit Ascent are advised to exercise caution when dealing in the securities of Summit Ascent, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.**

Yours faithfully,
For and on behalf of the Board of
**Summit Ascent Holdings Limited**
**Lo Kai Bong**
*Chairman*

*The following is the text of a letter of recommendation from the Independent SA Board Committee to the Independent SA Shareholders prepared for the purpose of inclusion in this circular.*

# SUMMIT ASCENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 102)**

28 June 2023

*To the Independent SA Shareholders*

Dear Sir or Madam,

## (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANIES; AND (2) CHANGE IN USE OF PROCEEDS

We refer to the circular of Summit Ascent dated 28 June 2023 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the SA Board as members of the Independent SA Board Committee to advise the Independent SA Shareholders in connection with the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder. Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the SA Board and the letter from the Independent Financial Adviser as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent SA Shareholders are concerned, and the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder, while not in the ordinary and usual course of business of the SA Group, are in the interests of Summit Ascent and the SA Shareholders as a whole. Accordingly, we recommend the Independent SA Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
**The Independent SA Board Committee**

| **Mr. Lam Kwan Sing** | **Mr. Lau Yau Cheung** | **Mr. Li Chak Hung** |
|---|---|---|
| *Independent non-executive SA Director* | *Independent non-executive SA Director* | *Independent non-executive SA Director* |

*The following is the full text of the letter from Astrum, the Independent Financial Adviser to the Independent SA Board Committee and the Independent SA Shareholders for the purpose of inclusion in this circular.*

Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

28 June 2023

To the Independent Board Committee and
the Independent Shareholders of
**Summit Ascent Holdings Limited**

Dear Sirs,

## (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES; AND (2) CHANGE IN USE OF PROCEEDS

### INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the "**Independent SA Board Committee**") and the independent shareholders (the "**Independent SA Shareholders**") of Summit Ascent Holdings Limited ("**Summit Ascent**") in relation to (i) the acquisition (the "**SA Acquisitions**") of (a) the entire issued share capital of Modest Achieve Limited ("**Target Company A**") and the outstanding non-interest bearing liabilities owed by Target Company A to LET Group Holdings Limited ("**LET**"); and (b) the entire issued share capital of Joyful Award Limited ("**Target Company B**") and the outstanding non-interest bearing liabilities owed by Target Company B to Solid Impact Limited (the "**Independent Vendor**"); and (ii) the proposed change in use of proceeds (the "**Change in SA Proceeds**"). The details of the SA Acquisitions and the Change in SA Proceeds were disclosed in the joint announcement of LET and Summit Ascent dated 18 May 2023 (the "**Announcement**") and in the letter from the board (the "**Letter from the SA Board**") set out on pages 9 to 26 of the circular of Summit Ascent dated 28 June 2023 (the "**Circular**") to the SA Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 18 May 2023 (after trading hours), Summit Ascent entered into the Sale and Purchase Agreements with LET and the Independent Vendor, pursuant to which amongst other things, (i) LET (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the Sale Loan A at a consideration of HK$142.8 million; and (ii) the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the Sale Loan B at a consideration of HK$137.2 million. Target Company A directly holds and Target Company B indirectly holds 51% and 49% interest in MSRD respectively, whose sole material asset is the Land Parcel.

When aggregated, as one or more of the applicable percentage ratios in respect of the SA Acquisitions under Rule 14.07 of the Listing Rules exceeds 25% but all of the applicable percentage ratios are below 100%, the SA Acquisitions constitute as a major transaction for Summit Ascent under the Listing Rules and is subject to the reporting, announcement, circular and SA Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LET is the controlling shareholder of Summit Ascent, interested in, directly and indirectly, an aggregate of approximately 69.66% of the SA Shares in issue, and therefore a connected person of Summit Ascent. Accordingly, the SA Acquisitions constitute as a connected transaction for Summit Ascent under the Listing Rules and is subject to the reporting, announcement, circular and Independent SA Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the SA Group intends to utilise part of the net proceeds from the SA Rights Issue and the SA Placing to the extent of approximately HK$186.4 million and approximately HK$292.9 million respectively, originally intended for use in the Phase II development of Tigre de Cristal, as to (i) HK$280.0 million for the settlement of the Total Consideration; (ii) HK$125.0 million for designing, planning and funding in part the future development of the Land Parcel; and (iii) the remaining approximately HK$74.3 million for general working capital or potential investment opportunities of the SA Group (the "**Change in SA Proceeds**"). The Change in SA Proceeds is subject to the approval of the Independent SA Shareholders at the SGM.

A SGM will be held by Summit Ascent to consider and, if thought fit, approve the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions). The voting at the SGM will be taken by poll. At the SGM, any SA Shareholders with a material interest in the Change in SA Proceeds and/or the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) are required to abstain from voting on the proposed resolutions to be put forward to the Independent SA Shareholders at the SGM for approving these transactions.

Mr. Lo is a common director of LET and Summit Ascent and is the controlling shareholder of LET and Summit Ascent, being indirectly interested in approximately 72.07% of the issued LET Shares and 69.77% of the issued SA Shares as at the Latest Practicable Date. Accordingly, LET and its associate, Victor Sky, each holding 123,255,000 SA Shares and 3,018,306,811 SA Shares respectively (representing an aggregate of approximately 69.66% interest in SA Shares in issue), and Mr. Lo's associates, Better Linkage Limited and Ever Smart Capital Limited, each holding 520,000 SA Shares and 4,452,000 SA Shares respectively (representing an aggregate of approximately 0.11% interest in SA Shares in issue), will therefore be abstained from voting on the resolutions proposed to be put forward to the Independent SA Shareholders at the SGM for the purpose of approving the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions). Save as aforementioned, to the best of the SA Directors' knowledge, information and belief, having made all reasonable enquiries, no other SA Shareholders are materially interested in the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) who are required to abstain from voting at the SGM on these resolutions.

An Independent SA Board Committee, comprising all the independent non-executive SA Directors, namely Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung, has been established to make recommendations to the Independent SA Shareholders in respect of the Change in SA Proceeds and the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) and as to voting at the SGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser of Summit Ascent to advise the Independent SA Board Committee and the Independent SA Shareholders in this regard.

**INDEPENDENCE DECLARATION**

During the last two years, we have acted as (i) the independent financial adviser of Summit Ascent in respect of (a) the loan variation involving the subscription of convertible bonds issued by Suntrust in the maximum aggregate principal amount of PHP6.4 billion (details of which were set out in the circular of Summit Ascent dated 26 October 2021); and (b) the provision of revolving loan in the principal amount up to HK$500,000,000 to LET (details of which were set out in the joint announcement of LET and Summit Ascent dated 27 January 2023), which was subsequently terminated on 10 May 2023; and (ii) the independent financial adviser of LET, which is one of the controlling shareholders of Summit Ascent, in respect of a mandatory cash offer. In view of the fact that each of the aforementioned engagements was an individual appointment of Astrum Capital Management Limited to act as independent financial adviser for providing independent opinion to the independent board committee and the independent shareholders in connection with different transactions, we are of the view that none of the previous engagements shall jeopardize our independence nor cause Astrum Capital Management Limited to have conflict of interests in acting as the independent financial adviser to the Independent SA Board Committee regarding the Change in SA Proceeds and the SA Acquisitions.

Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, Summit Ascent, LET and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates as at the Latest Practicable Date, and there was no other engagement between the SA Group, LET and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Change in SA Proceeds and the SA Acquisitions, no other arrangement exists whereby we will receive any fees and/or benefits from the SA Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent SA Board Committee and the Independent SA Shareholders in connection with the Change in SA Proceeds and the SA Acquisitions.

**BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the Sale and Purchase Agreements and the annual reports of Summit Ascent for the two financial years ended 31 December 2021 and 31 December 2022 (the "**2021 Annual Report**" and the "**2022 Annual Report**", respectively). We have also reviewed certain information provided by the management of Summit Ascent (the "**SA Management**") relating to the operations, financial conditions and prospects of the SA Group. In addition, we have reviewed the Valuation Report prepared by the Independent Valuer, namely Vincorn Consulting and Appraisal Limited, in respect of the Valuation of the Land Parcel as at 30 April 2023, including the methodology of, and the bases and assumptions adopted for, the Valuation. Based on the foregoing steps, we consider that we have taken all the reasonable endeavors, which are applicable to the SA Acquisitions, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annex notes) in forming our opinion. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted discussions with the SA Management regarding the Change in SA Proceeds and the SA Acquisitions, the businesses and future outlook of the SA Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All SA Directors collectively and individually accept full responsibility for the purpose of giving information with regard to Summit Ascent in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Sale and Purchase Agreements and the transactions contemplated thereunder and the Change in SA Proceeds, as well as to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the SA Directors or the SA Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the SA Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent SA Board Committee and the Independent SA Shareholders solely in connection with their consideration of the Change in SA Proceeds and the SA Acquisitions. Except for the inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

*Unless otherwise specified in this letter, amounts denominated in JPY have been converted to HK$ at a rate of HK$1.00 to JPY17.35.*

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the entering into of the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) and the Change in SA Proceeds, we have taken into account the principal factors and reasons set out below:

**1. Information on the SA Group**

***A. Principal business of the SA Group***

According to the Letter from the SA Board, Summit Ascent is an investment holding company incorporated in Bermuda with limited liability. The SA Group is principally engaged in the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the "**IEZ Primorye**") in Russia. The gaming and hotel operations of the SA Group are conducted through its 77.5% equity interest in Oriental Regent Limited, an indirect non-wholly owned subsidiary of Summit Ascent. Summit Ascent is an approximately 69.66% owned subsidiary, in aggregate directly and indirectly, of LET.

As disclosed in its 2022 Annual Report, the SA Group holds a gaming license granted by the Russian government for an indefinite period and the development rights on three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site area of approximately 73,000 square meters, 90,000 square meters and 154,000 square meters respectively, in the IEZ Primorye of the Russian Far East, being the largest of five designated zones in Russia where gaming and casino activities are legally permitted. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. Lot 8 is partly erected with dormitories, a gas-powered station and a storage area, called the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are vacant land currently, held for the phased development of Tigre de Cristal in the future.

However, the COVID-19 epidemic has had serious negative impacts on the global economy and severely affected tourism since the beginning of 2020, which also hindered the pre-construction phase, including design, procurement of construction materials, tendering and associated payments, of Tigre de Cristal Phase II. While the Russian tourism industry is slowly recovering from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the significant escalation in the Russia-Ukraine Conflict since late February 2022. The United States, the European Union and their allies have imposed an unprecedented range of sanctions and export controls on Russia, which aim at weakening its ability to finance the special military operation including, but not limited to, removal of major Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication. A lot of large global corporations have also voluntarily suspended their operations in Russia. Several governments have banned Russian aircraft from their airspace and have issued travel advisories calling on their nationals to avoid travel to Russia. The Russian government responded with a mutual ban for these countries. The escalation in conflict and sanctions has a negative effect on the motivation and choices for international tourists to freely travel into and out of Russia, which affects Tigre de Cristal's customer base. There is currently no indication on when the military conflict and the related sanctions will end.

Taking into account the abovementioned effects and uncertainties of the Russia-Ukraine Conflict, the SA Board does not have a positive outlook for Tigre de Cristal and is of the opinion that developing Phase II of Tigre de Cristal would result in significantly increased expenditures with minimal potential return on investment in the current economic environment. Accordingly, the SA Group's Phase II development of Tigre de Cristal has been suspended. Part of the net proceeds from the SA Rights Issue and the SA Placing to the extent of approximately HK$186.4 million and approximately HK$292.9 million, respectively, originally intended for use in the Phase II development of Tigre de Cristal (the "**Proceeds for TdC Phase II Development**") is not required for immediate use by the SA Group for the moment.

***B. Financial information of the SA Group***

The following table sets out the audited financial information of the SA Group for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 ("**FY2020**", "**FY2021**" and "**FY2022**", respectively) as extracted from its 2021 Annual Report and 2022 Annual Report:

**Table 1: Financial information of the SA Group**

| | **FY2020**<br>*HK$'000*<br>(audited) | **FY2021**<br>*HK$'000*<br>(audited) | **FY2022**<br>*HK$'000*<br>(audited) |
|---|---|---|---|
| Revenue | 211,238 | 265,519 | 372,306 |
| – Gaming operations | 202,924 | 248,355 | 340,898 |
| – Hotel operations | 8,314 | 17,164 | 31,408 |
| (Loss)/profit before taxation | (47,626) | (255,952) | 13,336 |
| Profit/(loss) for the year attributable to owners of Summit Ascent | 10,018 | (229,988) | 11,847 |
| | **As at 31 December 2020**<br>*HK$'000*<br>(audited) | **As at 31 December 2021**<br>*HK$'000*<br>(audited) | **As at 31 December 2022**<br>*HK$'000*<br>(audited) |
| **Total assets** | | | |
| Non-current assets | 2,384,120 | 2,032,782 | 2,777,543 |
| Current assets | 1,593,764 | 1,689,938 | 956,952 |
| – Bank balances and cash | 1,562,263 | 606,575 | 831,861 |
| **Total (liabilities)** | | | |
| Non-current (liabilities) | (195,659) | (195,202) | (185,024) |
| Current (liabilities) | (45,311) | (64,253) | (55,262) |
| **Equity attributable to the owners of Summit Ascent** | 3,398,275 | 3,168,449 | 3,180,359 |

*Sources:* the 2021 Annual Report and the 2022 Annual Report *(i) For the year ended 31 December 2021 (i.e. FY2021)*

In FY2021, the SA Group recorded revenue of approximately HK$265.5 million, representing an increase of approximately 25.7% as compared to approximately HK$211.2 million in FY2020. Such increase was predominantly attributable to the local customers as the number of foreigners visiting the SA Group's gaming and hotel property in Russia (namely, Tigre de Cristal) dropped significantly after different governments have adopted various travel restrictions and quarantine measures for travellers due to the COVID-19 pandemic. The increase was also partly due to the base effect as, in the second quarter of 2020, the gaming operations of Tigre de Cristal were suspended for about three months temporarily according to the respective measures recommended by the Russian government.

Notwithstanding the increase in revenue, the SA Group recorded loss attributable to owners of Summit Ascent of approximately HK$230.0 million in FY2021, as compared to profit of approximately HK$10.0 million in FY2020. Such deterioration was mainly attributable to (i) the recognition of fair value losses on derivative financial instruments of approximately HK$149.1 million in FY2021 (FY2020: gains of approximately HK$86.0 million); and (ii) the recognition of impairment loss on property, operating right and equipment of approximately HK$136.9 million in FY2021 (FY2020: nil), which was partially offset by (i) the increase in revenue from gaming and hotel operations of approximately HK$54.3 million; (ii) the recognition of interest income of approximately HK$53.6 million from derivative financial instrument in FY2021 (FY2020: nil); and (iii) the recognition of interest income of approximately HK$35.0 million from the short-term loan (the "**Loan**") in the principal amount of US$120 million to Suntrust in FY2021 (FY2020: nil).

As at 31 December 2021, the SA Group's total assets and total liabilities amounted to approximately HK$3,722.7 million (31 December 2020: approximately HK$3,977.9 million) and approximately HK$259.5 million (31 December 2020: approximately HK$241.0 million), respectively. The SA Group's bank balances and cash decreased from approximately HK$1,562.3 million as at 31 December 2020 to approximately HK$606.6 million as at 31 December 2021. Such decrease was mainly due to the provision of the Loan in the principal amount of US$120 million (equivalent to approximately HK$931.2 million based on the then exchange rate of US$1.00 to HK$7.76) to Suntrust in May 2021 (details of which were set out in the circular of Summit Ascent dated 26 March 2021).

Equity attributable to owners of Summit Ascent decreased from approximately HK$3,398.3 million as at 31 December 2020 to approximately HK$3,168.4 million as at 31 December 2021. Such decrease was primarily due to the loss attributable to owners of Summit Ascent of approximately HK$230.0 million recorded in FY2021.

*(ii) For the year ended 31 December 2022 (i.e. FY2022)*

In FY2022, the SA Group recorded revenue of approximately HK$372.3 million, representing an annual growth of approximately 40.2% as compared to approximately HK$265.5 million in FY2021. Such improvement was mainly attributable to (i) the increase in revenue from gaming operations of approximately HK$92.5 million, which was, in turn, predominantly attributable to the strong local Russian mass table and electronic gaming businesses; and (ii) the increase in revenue from hotel operations of approximately HK$14.2 million as a result of the increase in the average hotel occupancy rates to approximately 61% (FY2021: approximately 55%) during weekends and approximately 30% (FY2021: approximately 25%) during weekdays in FY2022.

In line with the growth in revenue, the SA Group made a turnaround from loss making position to profit making position. In FY2022, the SA Group recorded profit attributable to owners of Summit Ascent of approximately HK$11.8 million, as compared to loss of approximately HK$230.0 million in FY2021. Such improvement was mainly attributable to (i) the absence of recognition of impairment loss on property, operating right and equipment in FY2022 (FY2021: loss of HK$136.9 million); (ii) the increase in revenue from gaming and hotel operations of approximately HK$106.8 million; (iii) the recognition of net exchange gains of approximately HK$60.0 million in FY2022 (FY2021: net losses of approximately HK$0.7 million); (iv) the increase in interest income from derivative financial instruments of approximately HK$24.5 million; and (v) the increase in bank interest income of approximately HK$20.0 million, which was partially offset by (i) the loss on derecognition of financial asset of approximately HK$35.7 million in FY2022 (FY2021: nil); and (ii) the increase in employee benefits expenses of approximately HK$14.4 million.

As at 31 December 2022, the SA Group's total assets and total liabilities amounted to approximately HK$3,734.5 million (31 December 2021: approximately HK$3,722.7 million) and approximately HK$240.3 million (31 December 2021: approximately HK$259.5 million), respectively. The SA Group's bank balances and cash increased by approximately HK$225.3 million from approximately HK$606.6 million as at 31 December 2021 to approximately HK$831.9 million as at 31 December 2022. Such increase was mainly due to (i) the net cash generated from operating activities of approximately HK$85.8 million; (ii) the positive effect of foreign exchange rate changes of approximately HK$57.6 million; (iii) the partial repayment of short term loan by Suntrust of approximately HK$53.3 million; and (iv) the receipt of interest income from derivative financial instruments of approximately HK$41.0 million.

Equity attributable to owners of Summit Ascent increased from approximately HK$3,168.4 million as at 31 December 2021 to approximately HK$3,180.4 million as at 31 December 2022. Such increase was primarily due to the profit attributable to owners of Summit Ascent of approximately HK$11.8 million recorded in FY2022.

**2. Information on the Target Groups**

***A. Principal business of the Target Groups***

According to the Letter from the SA Board, Target Company A is an investment holding company and a wholly-owned subsidiary of LET. Target Company A is principally engaged in investment holding.

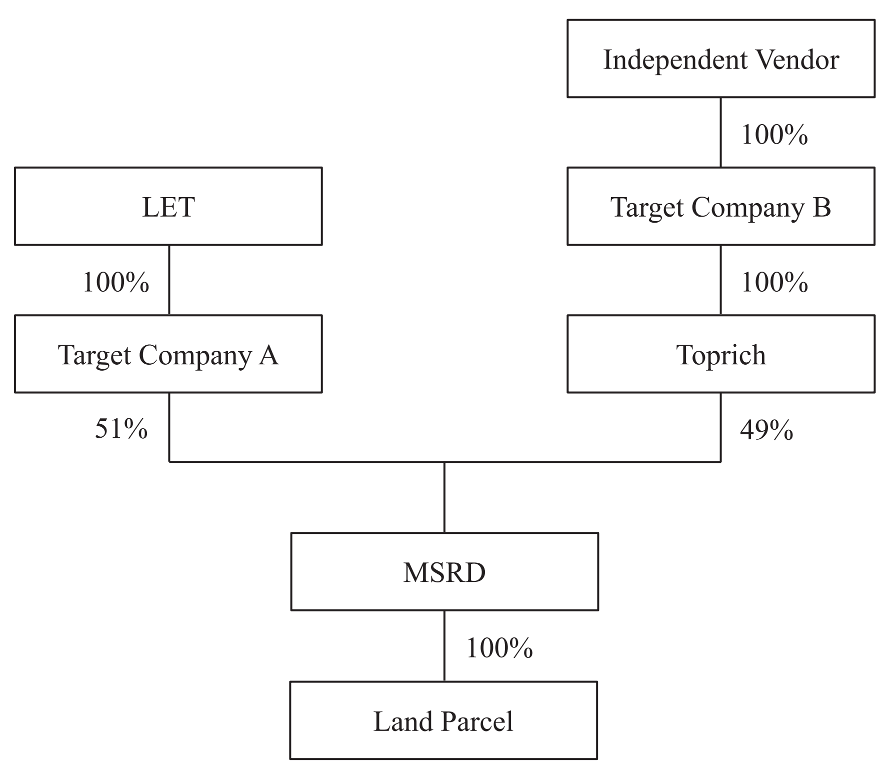
Target Company B and Toprich are investment holding companies wholly-owned by the Independent Vendor. Target Company B and Toprich are principally engaged in investment holding.

MSRD is an investment holding company principally engaged in property development in Japan. The sole material asset of MSRD is the Land Parcel.

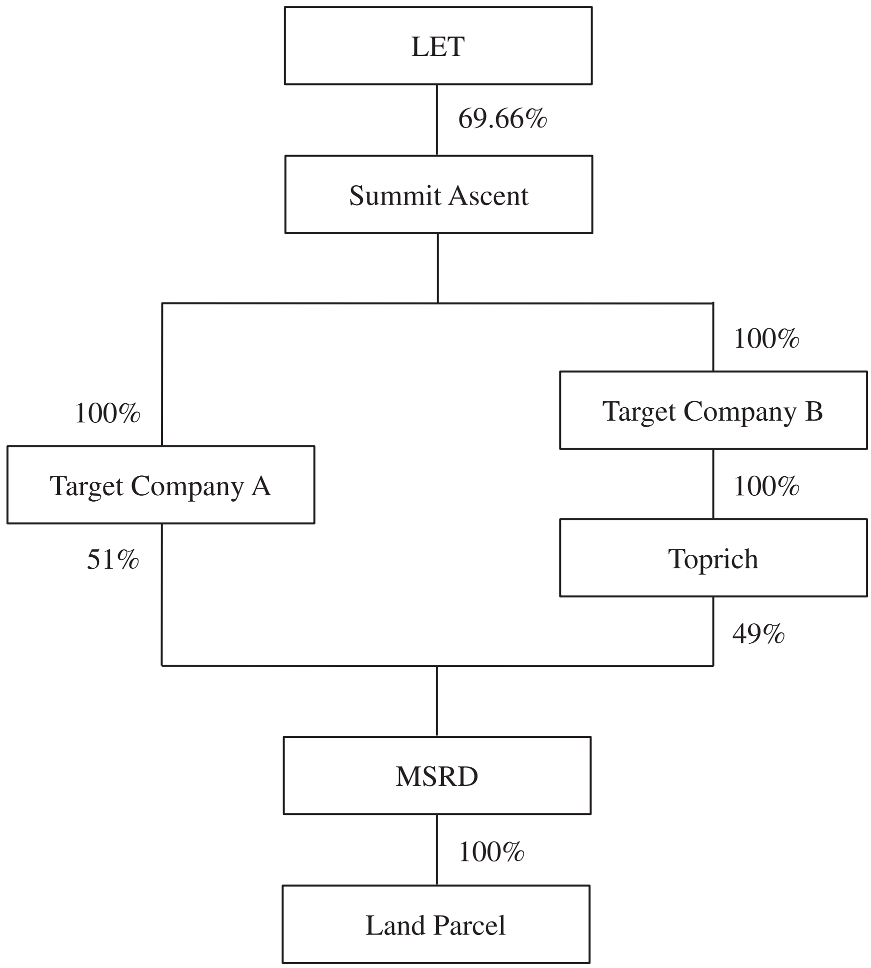
***B. Shareholding structure of the Target Groups***

Set out below is the shareholding structure of the Target Groups as at the date of the Sale and Purchase Agreements and upon Completion:

(i) As at the date of the Sale and Purchase Agreements:



(ii) Upon Completion:




***C. Financial information of the Target Groups***

Set out below is the audited consolidated financial information of Target Group A for the period commencing from 1 January 2023 to 30 April 2023 and FY2022:

| | **For the period commencing from 1 January 2023 to 30 April 2023** | **FY2022** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (audited) | (audited) |
| Revenue | – | – |
| Loss before taxation | 2,271 | 15,184 |
| Loss after taxation attributable to shareholder | 1,597 | 13,101 |

As advised by the SA Management, loss after taxation attributable to shareholder of Target Company A of approximately HK$13.1 million for FY2022 and approximately HK$1.6 million for the period commencing from 1 January 2023 to 30 April 2023 was mainly attributable to the recognition of net exchange loss of approximately HK$13.2 million and approximately HK$1.7 million for the respective periods, which was, in turn, derived from the exchange difference on translation of functional currency of JPY to presentation currency of HK$ during the relevant periods.

Target Group A had audited consolidated net liabilities attributable to shareholder of approximately HK$38,227,000 as at 30 April 2023.

Set out below is the audited consolidated financial information of Target Group B from its date of incorporation (i.e. 1 March 2023) to 30 April 2023:

| | **For the period from the date of incorporation (i.e. 1 March 2023) to 30 April 2023** *HK$'000* (audited) |
|---|---|
| Revenue | – |
| Loss before taxation | 1,205 |
| Loss after taxation | 1,205 |

Target Group B had audited consolidated net liabilities of approximately HK$1,205,000 as at 30 April 2023.

**3. Reasons for and benefits of the SA Acquisitions**

The SA Group is principally engaged in the operation of the hotel and gaming business in the IEZ Primorye in Russia. The gaming and hotel operations of the SA Group are conducted through its 77.5% equity interest in Oriental Regent Limited, an indirect non-wholly owned subsidiary of Summit Ascent.

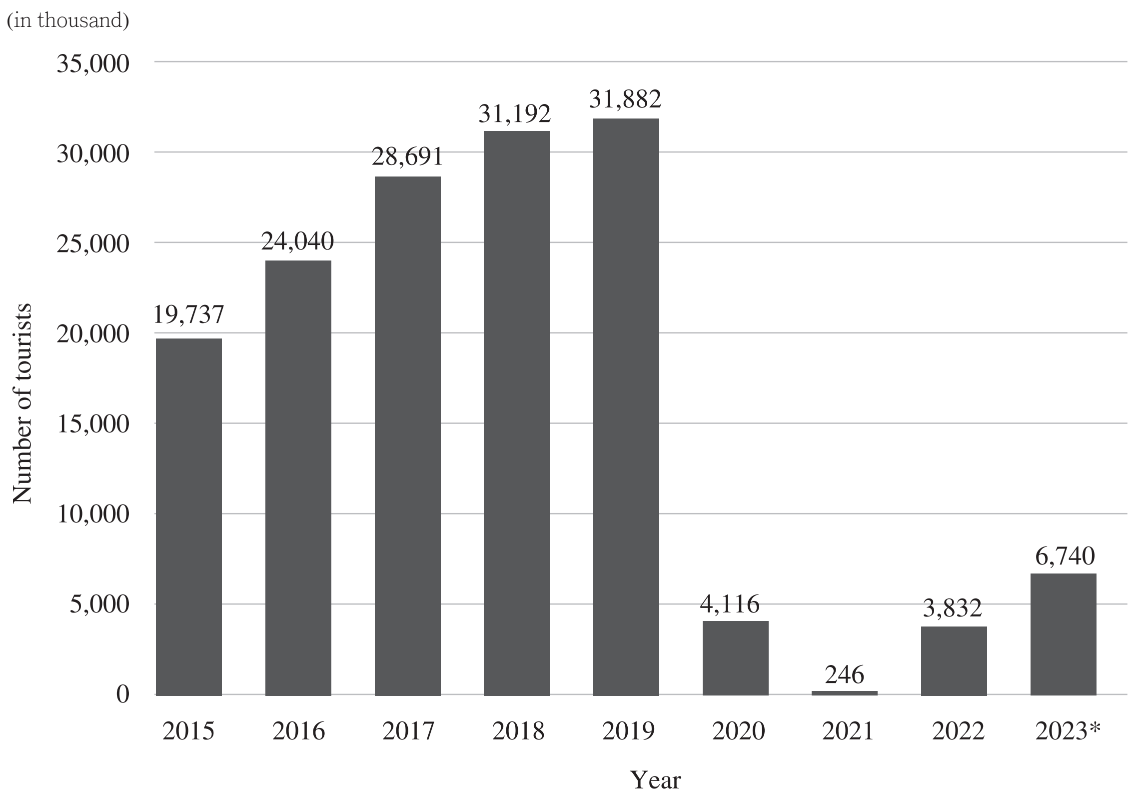
As mentioned in the paragraph headed "A. Principal business of the SA Group" under the section headed "1. Information on the SA Group" above, while the Russian tourism industry is slowly recovering from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the significant escalation in the Russia-Ukraine Conflict since late February 2022. The United States, the European Union and their allies have imposed an unprecedented range of sanctions and export controls on Russia, which aim at weakening its ability to finance the special military operation. Several governments have banned Russian aircraft from their airspace and have issued travel advisories calling on their nationals to avoid travel to Russia. The Russian government responded with a mutual ban for these countries. The escalation in conflict and sanctions has a negative effect on the motivation and choices for international tourists to freely travel into and out of Russia, which affects Tigre de Cristal's customer base. There is currently no indication on when the military conflict and the related sanctions will end. Taking into account the abovementioned effects and uncertainties of the Russia-Ukraine Conflict, the SA Board does not have a positive outlook for Tigre de Cristal and is of the opinion that developing Phase II of Tigre de Cristal would result in significantly increased expenditures with minimal potential return on investment in the current economic environment. Accordingly, the SA Group's Phase II development of Tigre de Cristal has been suspended.

In addition to focusing locally on the leisure and entertainment business in the Russian Federation, it is the SA Group's intention to expand its reach in Asia to diversify its geographical presence and mitigate some of the risks related to principally relying on the Tigre de Cristal. Since 2020, Summit Ascent invested in the gaming industry of the Philippines through its fellow subsidiary, Suntrust. As disclosed in the circular of LET dated 26 March 2020 (the "**LET Circular**") and the annual report of LET for FY2022 (the "**LET 2022 Annual Report**"), Suntrust signed a lease agreement with Westside City Resorts World Inc. and Travellers International Hotel Group Inc. on 21 February 2020 in relation to the construction, development, operation and management of the 5-Star hotel and casino complex in Manila Bayshore Integrated City (Site A) in Paranaque City, the Philippines (i.e. the Main Hotel Casino). The Main Hotel Casino will encompass (i) a 5-Star hotel with over 450 hotel rooms; (ii) casino establishment with approximately 300 gaming tables and over 1,300 electronic gaming machines; and (iii) approximately 1,000 car parking spaces for the hotel and casino. Please refer to the LET Circular and the LET 2022 Annual Report for further details of the Main Hotel Casino. It is expected that the Main Hotel Casino will commence soft opening by the end of 2024 and grand opening in 2025.

On 18 May 2023 (after trading hours), Summit Ascent entered into the Sale and Purchase Agreements with LET and the Independent Vendor, pursuant to which amongst other things, (i) LET (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the Sale Loan A at a consideration of HK$142.8 million; and (ii) the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the Sale Loan B at a consideration of HK$137.2 million. Target Company A directly holds and Target Company B indirectly holds 51% and 49% interest in MSRD respectively, whose sole material asset is the Land Parcel. The Land Parcel, comprising 28 adjoining land parcels, is located in Nishihara, Aza Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan with a total site area of approximately 108,799 square meters. The Land Parcel is about 10-kilometer and 4-kilometer driving distance from Miyako Airport and Hirara Port, respectively. As at the Latest Practicable Date, the Land Parcel largely consisted of undeveloped land. The SA Group intends to develop the Land Parcel into a luxury hotel with seaside cabins (the "**Hotel**").

According to the insight report published by World Economic Forum in May 2022 in respect of the travel and tourism development index 2021, Japan is regarded as the number one tourist destination in the world due to its transport networks, rich cultural heritage and good safety. We have conducted research on the Japan tourism market through public domains. Set out below is the diagram showing the total number of international tourists to Japan from 2015 to 2023:

**Chart 1: Number of international tourists to Japan from 2015 to 2023**




*Note:* Figure of 2023 represents the number of international tourists to Japan during the period from January 2023 to April 2023.

*Source: Japan National Tourism Organization (www.japan.travel/jp/)*

As shown in Chart 1 above, the number of international tourists to Japan exhibited an increasing trend from approximately 19.7 million tourists in 2015 to approximately 31.9 million tourists in 2019, representing a compound annual growth rate ("**CAGR**") of approximately 12.7%. However, as a result of the outbreak of COVID-19 in early 2020, the number of international tourists to Japan slumped by approximately 87.1% to approximately 4.1 million in 2020. Amid the development of COVID-19, the number of international tourists to Japan remained at a low level and amounted to merely approximately 246,000 tourists in 2021 and approximately 1.0 million tourists for the nine months ended 30 September 2022. In October 2022, the Japan government reopened its borders for individual tourists and the tourism market showed a sign of recovery. The number of international tourists to Japan increased to approximately 2.8 million tourists for the fourth quarter of 2022 and further to approximately 6.7 million tourists for the four months ended 30 April 2023, representing approximately 61.4% of that in the corresponding period of 2019.

The trend of the tourism market of Okinawa Prefecture (in which the Land Parcel is located) is, in general, in line with that of the whole Japan as described above. The total number of international overnight tourists in Okinawa Prefecture increased from approximately 3.4 million tourists in 2015 to approximately 5.4 million tourists in 2019, representing a CAGR of approximately 12.0%. Similarly, the tourism market of Okinawa Prefecture was almost frozen from 2020 to 2022 due to the outbreak of COVID-19. Although the tourism industry of Japan (including Okinawa Prefecture) has not yet completely restored to its pre-pandemic level, it is expected that it would recover at a steady pace in the near future following the further lifting of several entrance restrictions (particularly, the allowance of Chinese tourists to enter into Japan in March 2023).

According to the official website of Japan National Tourism Organization (www.japan.travel/jp/), Okinawa is Japan's southernmost prefecture and comprises a chain of islands. Miyako Island, in which the Land Parcel is located, is the fourth largest of the Okinawan islands and is surrounded by coral reefs and an emerald sea. Miyako Island is famous for the sun-drenched beaches (including Sunayama Beach, which is adjacent to the Land Parcel) and is also a popular destination for snorkeling and diving in the coral reefs. According to the official website of Miyakojima City government (www.city.miyakojima.lg.jp), the number of tourists amounted to approximately 1,141,000 in 2019 (pre-COVID-19 level) and approximately 664,000 in 2022. Following the commencement of operation of two renowned international hotels (namely, Hilton Okinawa Miyako Island Resort and Rosewood Miyakojima) in Miyakojima City in 2023 and 2024, respectively, and the gradual improvement of infrastructure, the tourism industry of Miyakojima City is expected to have positive outlook. According to the official website of Miyakojima City government, it targets to attract 2,000,000 tourists in 2028 with the total tourism expenditure of JPY94.9 billion.

More notably, in April 2023, the Japan government approved the plan to build the country's first casino in the western city of Osaka, aimed at attracting domestic and global tourist spending, and "become a tourism base that disseminates the charm of Japan to the world" according to the Prime Minister of Japan. The giant resort complex located at Yumeshima, Osaka will also include hotels, a conference centre, shopping mall, museum and ferry terminal, while high-rollers will have access to an adjacent helicopter pad. The resort is expected to commence operation in 2029, and is targeting JPY520 billion of revenue annually. Based on the project document, it is forecasted that the resort will attract 6 million international tourists and 14 million domestic visitors per year. We believe that the opening of the resort will have positive impact on Japan's tourism industry, and thus the operation of the Hotel.

In view of the above, we concur with the SA Board's view that the SA Acquisitions represent good opportunity for the SA Group to tap into the hospitality industry in Japan, thereby diversifying its geographical presence in Asia and mitigating some of the risks related to its reliance on Tigre de Cristal. Furthermore, as the SA Group has rich experience in building and operating Tigre de Cristal (which is a five-star hotel and was nominated to the World Travel Awards five times since its opening in 2015 and won "Russia's Leading Resort" in 2018, and was also named "Russia's Best Casino Hotel" at the World Casino Awards in 2021), it is expected that there is strong potential synergy with Japan's plans and cross selling opportunities for the SA Group's integrated resort business.

According to the Sale and Purchase Agreements, the Total Consideration amounted to HK$280 million. Further, based on the preliminary construction plan of the Land Parcel, it is expected that the SA Group will utilise approximately HK$125 million (the "**Design and Planning Cost**") on the design and planning of the Land Parcel and to fund in part the future development of the Land Parcel after Completion. We have studied the financial performance and position of Summit Ascent (in particular, its cash position). According to its 2022 Annual Report, the SA Group made a turnaround from loss making position to profit making position, and recorded profit attributable to owners of Summit Ascent of approximately HK$11.8 million in FY2022, as compared to loss of approximately HK$230.0 million in FY2021. The total assets and total liabilities of Summit Ascent as at 31 December 2022 amounted to approximately HK$3,734.5 million and approximately HK$240.3 million, respectively, leading to net assets of approximately HK$3,494.2 million. As at 31 December 2022, the SA Group had cash and bank balances of approximately HK$831.9 million, representing a notable increase of approximately 37.1% as compared to approximately HK$606.6 million as at 31 December 2021. Such increase was mainly due to (i) the net cash generated from operating activities of approximately HK$85.8 million; (ii) the positive effect of foreign exchange rate changes of approximately HK$57.6 million; (iii) the partial repayment of short term loan by Suntrust of approximately HK$53.3 million; and (iv) the receipt of interest income from derivative financial instruments of approximately HK$41.0 million. The aggregate of the Total Consideration and the Design and Planning Cost of approximately HK$405 million represents merely approximately 11.6% of the SA Group's net assets and approximately 48.7% of the SA Group's cash and bank balances as at 31 December 2022. Notably, Summit Ascent did not have any interest-bearing borrowings as at 31 December 2022. In view of (i) the strong financial position and cash position of Summit Ascent as discussed above; (ii) as mentioned in the paragraph headed "A. Principal business of the SA Group" under the section headed "1. Information on the SA Group" above, the Phase II development of Tigre de Cristal has been suspended and the Proceeds for TdC Phase II Development are not required for immediate use by the SA Group for the moment; and (iii) the aggregate of the Total Consideration and the Design and Planning Cost of approximately HK$405 million represents merely approximately 11.6% of the SA Group's net assets and approximately 48.7% of the SA Group's cash and bank balances as at 31 December 2022, we concur with the SA Directors' view that the SA Group possesses sufficient cash for its daily operation and the payment of the Total Consideration and the Design and Planning Cost in cash will not affect the SA Group's ordinary business operations.

We noted from the Letter from the SA Board that one of the 28 lots, Lot No. 785-3 (the "**Call Option Parcel**"), with a site area of approximately 1,968 square meters (representing approximately 1.81% of the total site area of the Land Parcel), comprising the Land Parcel is subject to a call option (the "**Call Option**") in favour of Miyakojima City under the original sale and purchase agreement (the "**Original SPA**") dated 29 October 2018 in relation to the original sale of the Call Option Parcel only (for the avoidance of doubt, not including the remaining 27 lots comprising the Land Parcel) by Miyakojima City, pursuant to which if the owner of the Call Option Parcel breaches the following conditions under the Original SPA:

(i) the Call Option Parcel must be used in relation to the construction of a hotel facility and must not be used for any other purposes;

(ii) the Call Option Parcel must be used in relation to the construction of a hotel facility within two years after the delivery of the Call Option Parcel;

(iii) the Call Option Parcel must continue to be used in relation to the construction of a hotel facility for seven years after the delivery of the Call Option Parcel; and/or

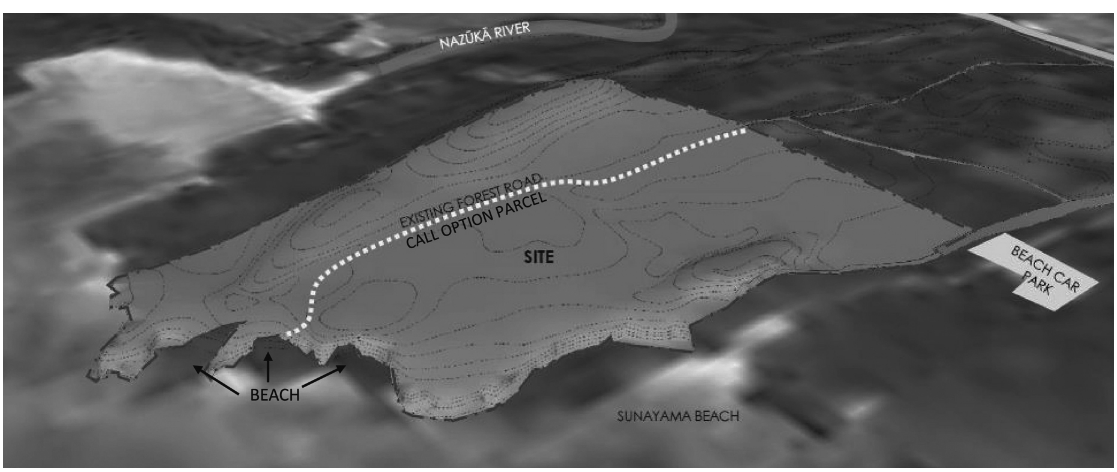
(iv) the owner of the Call Option Parcel must notify Miyakojima City without delay when the owner transfers or pledges the Call Option Parcel until seven years after the delivery of the Call Option Parcel,

Miyakojima City may exercise the Call Option or cancel the Original SPA to reclaim the Call Option Parcel at a purchase price of JPY5,189,500.0 (equivalent to approximately HK$299,107.0) and administration costs. The Original SPA and the Call Option Parcel do not affect the remaining 27 lots comprising the Land Parcel.

As no development had proceeded in the Land Parcel as at the Latest Practicable Date, MSRD may be in breach of the Original SPA and Miyakojima City may have the right to exercise the Call Option and/or cancel the Original SPA to reclaim the Call Option Parcel. To the best of the SA Directors' knowledge, information and belief, having made all reasonable enquiries, it is unknown whether Miyakojima City will exercise the Call Option and/or cancel the Original SPA as no indication has been made.

As mentioned in the Letter from the SA Board, the Call Option Parcel almost entirely consists of a public unpaved road (the "**Road**") developed by Miyakojima City to provide the only public access to a public beach which is not part of the Land Parcel. As shown in Chart 2 below, the Road and the Call Option Parcel run through the middle of the Land Parcel.

**Chart 2: the Land Parcel**




— . — : the boundary of the Land Parcel

We understood from the SA Management that when preparing the preliminary development plans for the Land Parcel, they have already taken into consideration the possible exercise of the Call Option or the possible cancellation of the Original SPA by Miyakojima City, and therefore, no major development is planned inside the Call Option Parcel nor requires utilizing the Road. Even in the situation that Miyakojima City reclaims the Call Option Parcel for its own uses, due to the shape and size of the Call Option Parcel (i.e. the approximate shape and size of the Road), any potential changes to the Call Option Parcel in such situation is unlikely to affect the SA Group's development of the Land Parcel. It is the understanding of the SA Group that any changes to the usage of the Call Option Parcel by the Miyakojima City is subject to an approval process. Accordingly, if Miyakojima City chooses to reclaim the Call Option Parcel and change its usage from the existing Road, such process will take time that will allow the SA Group to evaluate any potential effects on the Land Parcel and to negotiate with Miyakojima City or alter development plans as needed to ensure any planned or completed developments in the Land Parcel are unaffected by such reclamation and any future plans by Miyakojima City in relation to the Call Option Parcel. The SA Group also plans to enter such negotiations with Miyakojima City regarding the Original SPA and the Call Option Parcel whilst seeking approval for its developments plans for the Land Parcel to safeguard its investment before proceeding with any major development. Notwithstanding that the Call Option Parcel runs through the middle of the Land Parcel and Miyakojima City may have the right to exercise the Call Option and/or cancel the Original SPA while the likelihood of the exercise of the Call Option or the cancellation of the Original SPA is uncertain, having considered the facts that (i) the Call Option Parcel almost entirely consists of the unpaved Road developed by Miyakojima City; (ii) the SA Group has already taken into consideration the possible exercise of the Call Option or the possible cancellation of the Original SPA by Miyakojima City when preparing the preliminary development plans for the Land Parcel and therefore, no major development is planned inside the Call Option Parcel nor requires utilizing the Road; (iii) the Land Parcel has other adjacent public paved roads that will allow customers access to the Land Parcel, and thus the accessibility of the Hotel to be constructed on the Land Parcel would not be affected even if the Call Option Parcel is reclaimed by Miyakojima City; (iv) based on the preliminary construction plan of Land Parcel provided by the SA Group, it is intended to develop the Land Parcel into a luxury hotel with seaside cabins, where the seaside cabins can be feasibly located in accordance with the development plan as compared to a hotel building; (v) it is expected that no additional cost will be incurred for the development of the Land Parcel if the Call Option Parcel is reclaimed by Miyakojima City; and (vi) the SA Group plans to enter negotiations with Miyakojima City regarding the Original SPA and the Call Option Parcel whilst seeking approval for its developments plans for the Land Parcel to safeguard its investment before proceeding with any major development, we concur with the SA Board’s view that even if the Call Option is exercised or the Original SPA is cancelled, the disposal of the Call Option Parcel is unlikely to affect the SA Group’s development plans for the Land Parcel.

Furthermore, under the Sale and Purchase Agreements, LET and the Independent Vendor as the indemnifying parties and Summit Ascent as the indemnified party will enter into deeds of indemnity (the "**Deeds of Indemnity**") at Completion, which forms part of the completion documents, pursuant to which LET and the Independent Vendor agree to indemnify Summit Ascent on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which Summit Ascent may incur or suffer arising from or in connection with the Original SPA and the Call Option. According to the Letter from the SA Board, based on the difference between the approximate value of the Call Option Parcel of approximately HK$5,220,000 (which is derived by applying the size of the Call Option Parcel of 1,968 square meters multiplied by (a) the weighted average unit rate of JPY23,009 per square meter as adopted in the Valuation Report as set out in Appendix V to the Circular; and (b) the plot ratio of the Call Option Parcel of 2.0, then divided by the exchange rate of HK$1.00 to JPY17.35) and the Call Option Price or the purchase price received by Miyakojima City (as the case may be), it is expected that LET and the Independent Vendor will pay a sum of approximately HK$4,920,000 to Summit Ascent pursuant to the Deeds of indemnity if the Call Option is exercised or the Original SPA is cancelled. The approximate value of the Call Option Parcel is an estimate with reference to the site area of the Call Option Parcel and the unit rate per square meter as adopted in the Valuation.

In view of the above, in particular the facts that (i) the Deeds of Indemnity to be entered into between LET and the Independent Vendor, as the indemnifying parties, and Summit Ascent, as the indemnified party, at Completion forms part of the completion documents; and (ii) under the Deeds of Indemnity, LET and the Independent Vendor agree to indemnify Summit Ascent on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which Summit Ascent may incur or suffer arising from or in connection with the Original SPA and the Call Option, we are of the view that the Deeds of Indemnity can completely safeguard the interests of the SA Group without being damaged by the possible exercise of the Call Option or the possible cancellation of the Original SPA. As advised by the SA Management, save for the Call Option Parcel, all remaining Land Parcel is not subject to any call option.

Having considered the above, in particular the facts that (a) the SA Board does not have a positive outlook for Tigre de Cristal and is of the opinion that developing Phase II of Tigre de Cristal would result in significantly increased expenditures with minimal potential return on investment in the current economic environment, and thus, the SA Group's Phase II development of Tigre de Cristal has been suspended; (b) it is the SA Group's intention to expand its reach in Asia to diversify its geographical presence and mitigate some of the risks related to principally relying on Tigre de Cristal; (c) the SA Acquisitions represent good opportunity for the SA Group to tap into the hospitality industry in Japan; (d) the SA Group possesses sufficient cash for its daily operation and the payment of the Total Consideration and the Design and Planning Cost in cash will not affect the SA Group's ordinary business operations; and (e) the terms of the Sale and Purchase Agreements (including the Total Consideration) are fair and reasonable so far as the Independent SA Shareholders are concerned (please refer to the section headed "5. Principal terms of the Sale and Purchase Agreements" below for our analysis), we concur with the SA Directors' view that the SA Acquisitions are in the interests of Summit Ascent and the SA Shareholders as a whole.

**4. Reasons for and benefits of the Change in SA Proceeds**

According to the Letter from the SA Board, the SA Group intends to utilise the Proceeds for TdC Phase II Development of approximately HK$479.3 million as to (i) HK$280.0 million for the settlement of the Total Consideration; (ii) HK$125.0 million for designing, planning and funding in part the future development of the Land Parcel; and (iii) the remaining approximately HK$74.3 million for general working capital or potential investment opportunities of the SA Group (i.e. the Change in SA Proceeds). As the SA Group does not intend to proceed with the Phase II development of Tigre de Cristal and the development of the Land Parcel is currently still in preliminary stages and does not require any large capital commitments, the SA Group intends to expand its available cash reserves so that the SA Group can more practically seize any potential expansion and diversification opportunities. As advised by the SA Management, such amount is currently placed as short-term fixed deposits at licensed banks in Hong Kong.

Having considered the above, together with the reasons for and benefits of the SA Acquisitions as discussed in the section headed "3. Reasons for and benefits of the SA Acquisitions" above, we concur with the SA Board's view that the Change in SA Proceeds is fair and reasonable and in the interests of Summit Ascent and the SA Shareholders as a whole.

**5. Principal terms of the Sale and Purchase Agreements**

On 18 May 2023 (after trading hours), Summit Ascent entered into the Sale and Purchase Agreement A with LET, pursuant to which, amongst other things, LET (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the Sale Loan A at a consideration of HK$142.8 million (i.e. the Consideration A).

On the even date (after trading hours), Summit Ascent entered into the Sale and Purchase Agreement B with the Independent Vendor, pursuant to which, amongst other things, the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the Sale Loan B at a consideration of HK$137.2 million (i.e. the Consideration B).

As advised by the SA Management, the Consideration A and the Consideration B were determined after arm's length negotiations between LET, the Independent Vendor and Summit Ascent with reference to (i) the market value of the Land Parcel, being HK$288.6 million according to the preliminary Valuation; and (ii) the shareholding of Target Group A and Target Group B in MSRD, whose sole material asset is the Land Parcel. The Sale and Purchase Agreements are inter-conditional upon each other.

Please refer to the Letter from the SA Board for further details of the Sale and Purchase Agreements.

***A. Valuation***

In assessing the fairness and reasonableness of the Valuation, we have reviewed the Valuation Report and discussed with the Independent Valuer in relation to (i) the methodology and assumptions used in performing the Valuation; (ii) their scope of work for conducting the Valuation; and (iii) their relevant professional qualifications as a property valuer.

*(i) Valuation methodology*

We noted from the Valuation Report that the Valuation has been carried out by using the Market Approach to arrive at the market value of the Land Parcel with reference to the recent transactions (the "**Comparable Transactions**") of comparable lands (the "**Comparable Land(s)**"). Comparable Lands of similar character and location are analysed and carefully weighed. Each attribute of the Comparable Lands is then compared with the Land Parcel and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the Land Parcel. As advised by the Independent Valuer, Market Approach is considered to be the most accepted valuation approach for assessing the market value of the Land Parcel given that there is abundant market information available in an open market. In this regard, we have reviewed land valuations which (i) were conducted by other listed companies on the Stock Exchange during the six-month period prior to and including the Latest Practicable Date; and (ii) were conducted for the purpose of inclusion in the relevant circulars regarding notifiable transactions. Based on the information available from the website of the Stock Exchange, we have identified an exhaustive list of 11 land valuations which met the said criteria. Out of 11 land valuations we identified, all of which were conducted by using the Market Approach. We consider that a review period of six months is an appropriate timeframe to, on one hand, capture the recent market practice for preparing land valuations and, on the other hand, generate a sufficient sample size for the purpose of our analysis. Accordingly, we consider that the selected land valuations are sufficient and representative.

Although the geographic location and land use of the subject lands under the selected land valuations may not be the same as that of the Land Parcel (i.e. located in Miyakojima City, Japan and for the purpose of hotel and resort development), we understood from the Independent Valuer that the Market Approach is considered to be the most accepted valuation approach for land parcels, regardless the geographic location and land use, unless no market information is available for analysis. Accordingly, we consider that the Market Approach is a commonly adopted valuation methodology in valuing lands.

We have obtained from, and discussed with, the Independent Valuer the details of the Comparable Transactions selected (including but not limited to the nature and location of the Comparable Lands, the reference date and the transaction amount). We understood from the Independent Valuer that the Comparable Transactions were selected based on the following selection criteria:

(i) **Nature:** Comparable Lands with the rights for accommodation use are selected;

(ii) **Location:** Comparable Lands situated within close proximity to the Land Parcel are selected. All Comparable Lands are situated within 10 kilometers away from the Land Parcel; and

(iii) **Time:** The reference dates of the Comparable Lands which are close to the valuation date are selected. The reference dates of the Comparable Lands range from April 2022 to March 2023, being the twelve-month period prior to the valuation date.

We have discussed with the Independent Valuer in respect of the reasons for the application of each selection criterion. In respect of nature, taking into account the designated land use of the Land Parcel (i.e. hotel and resort development), we consider it appropriate for the Independent Valuer to select those lands with the rights for accommodation use. Regarding location, we noted that only lands situated within 10 kilometers away from the Land Parcel were selected. As location of lands would affect their market values, we concur with the Independent Valuer's view that it is necessary to apply a selection criterion regarding location in order to truly reflect market value of the Land Parcel. In relation to time, only the reference dates of those lands ranging from April 2022 to March 2023, being the twelve-month period prior to the valuation date, were selected. We enquired with the Independent Valuer in this regard, and were advised that the twelve-month period is an appropriate timeframe to capture the recent market transactions under the current market condition and sentiment and on the other hand, provide sufficient sample size for analysis purpose. In view of the above, we consider that the above selection criteria adopted by the Independent Valuer are reasonable and sufficient for the purpose of selecting comparable transactions.

To the best of their knowledge, the Independent Valuer has identified an exhaustive list of five Comparable Transactions with the Comparable Lands which met the said criteria. The following table sets forth the relevant details of the Comparable Transactions:

**Table 2: Details of the Comparable Transactions**

| **Comparable Lands** | **Comparable 1** | **Comparable 2** | **Comparable 3** | **Comparable 4** | **Comparable 5** |
|---|---|---|---|---|---|
| **Right for accommodation use** | Yes | Yes | Yes | Yes | Yes |
| **Location (distance to the Land Parcel)** | Miyakojima City (3 km) | Miyakojima City (7 km) | Miyakojima City (6 km) | Miyakojima City (3 km) | Miyakojima City (7 km) |
| **Reference date** | March 2023 | March 2023 | March 2023 | December 2022 | August 2022 |
| **Land area** *(sq. m.)* | 1,928 | 2,014 | 18,174 | 1,252 | 2,722 |

We have reviewed the details of the Comparable Transactions, and considered that all the Comparable Transactions fulfilled the selection criteria adopted by the Independent Valuer as detailed above.

After selecting the Comparable Transactions, adjustments on the sale price of the Comparable Lands were made after taking into account certain factors (including but not limited to time, location, size, configuration and view (collectively, the "**Valuation Adjustment Factors**")) in order to arrive at a fair comparison of values. We have reviewed and enquired with the Independent Valuer regarding the Valuation Adjustment Factors and the rationale behind, and were given to understand that adjustments were made in respect of (i) reference dates of the Comparable Lands to reflect the change in market price based on the Property Price Index of Kyushu-Okinawa Region published by Ministry of Land, Infrastructure, Transport and Tourism of the Japan government; (ii) location of the Comparable Lands to reflect the potential discount applied to the unit rate of lands located in more remote area and/or with difficult accessibility to the infrastructure, amenities and public transportation facilities; (iii) size of the Comparable Lands to reflect the potential discount applied to the unit rate of larger lands as generally noted in the real estate market and perceived by the valuation practitioners; (iv) configuration of the Comparable Lands to reflect the potential discount applied to the unit rate of lands in area steeper configuration or with natural constraint requirement(s); and (v) view of the Comparable Lands to reflect the potential premium applied to the unit rate of land with better view, and vice versa. The following table sets out the details of the Land Parcel and the Comparable Lands:

**Table 3: Details of the Land Parcel and the Comparable Lands**

| | Land Parcel | Comparable 1 | Comparable 2 | Comparable 3 | Comparable 4 | Comparable 5 |
|---|---|---|---|---|---|---|
| **Sales price** *(JPY)* | – | 50,000,000 | 45,700,000 | 380,000,000 | 37,110,000 | 69,870,000 |
| **Site area** *(sq. m.)* | 108,799 | 1,928 | 1,007 | 9,087 | 1,252 | 1,361 |
| **Maximum plot ratio** | 2 | 1 | 2 | 2 | 1 | 2 |
| **Maximum gross floor area** *(sq. m.)* | 217,598 | 1,928 | 2,014 | 18,174 | 1,252 | 2,722 |
| **Unit price (JPY/sq. m.)** *(Note 1)* | – | 25,934 | 22,691 | 20,909 | 29,644 | 25,669 |
| **Land use – accommodation use** | Yes | Yes | Yes | Yes | Yes | Yes |
| **Reference date** | April 2023 *(Note 2)* | March 2023 | March 2023 | March 2023 | December 2022 | August 2022 |
| **Location** | Remote area | Close to city centre | Close to city center and near the airport | Close to city centre | Close to city centre | Relatively remote area |
| **Configuration** *(Note 3)* | – | Flatter | Steeper | Steeper | Similar as the Land Parcel | Flatter |
| **View** | Sea view | Forest view | Forest view | Sea view | Forest view | Forest view |

*Notes:*

1. Unit price is calculated based on the below formula:

$$\text{Unit price} = \frac{\text{Sales price}}{\text{Site area} \times \text{Maximum plot ratio)}}$$

2. This refers to the valuation date of the Land Parcel.

3. The adjustment made on the Comparable Lands in respect of the configuration is based on the similarity between the Land Parcel and each of the Comparable Lands (i.e. premium applied to the Comparable Lands with flatter configuration, in general, than the Land Parcel and discount applied to the Comparable Lands with steeper configuration, in general, than the Land Parcel).

**Table 4: Adjustments made by the Independent Valuer on the Comparable Lands**

| | Comparable 1 | Comparable 2 | Comparable 3 | Comparable 4 | Comparable 5 |
|---|---|---|---|---|---|
| **Unit price (JPY/sq. m.)** | 25,934 | 22,691 | 20,909 | 29,644 | 25,669 |
| **Time (A)** *(Note 1)* | 0.0% | 0.0% | 0.0% | +2.0% | +2.0% |
| **Location (B)** *(Note 2)* | -10.0% | -15.0% | -10.0% | -10.0% | -5.0% |
| **Size (C)** *(Note 3)* | -1.8% | -1.8% | -1.7% | -1.8% | -1.8% |
| **Configuration (D)** *(Note 4)* | -10.0% | +10.0% | +10.0% | 0.0% | -10.0% |
| **View (E)** *(Note 5)* | +5.0% | +5.0% | 0.0% | +5.0% | +5.0% |
| **Adjustment rate** *(Note 6)* | -16.5% | -3.6% | -2.7% | -5.3% | -10.1% |
| **Adjusted unit price (JPY/sq. m.)** *(Note 7)* | 21,664 | 21,877 | 20,356 | 28,062 | 23,084 |
| **Weighting coefficient** | 20% | 20% | 20% | 20% | 20% |

*Notes:*

1. In term of time adjustment, the differences in market sentiments between the Valuation Date and the dates of the Comparable Transactions have been adjusted by making reference to the Property Price Index of Kyushu-Okinawa Region published by the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The dates of Comparables 4 and 5 have recorded lower indices compared to that as of the Valuation Date and thus their unit prices have been adjusted upward.

2. In term of location adjustment, the difference in proximities to the city centre and major infrastructure including airport between the subject location and the Comparable Lands' locations have been adjusted. The Comparable Lands are considered as superior to the Land Parcel in term of location since the Comparable Lands are located in closer proximities to the city centre or the airport, hence downward adjustments ranging from 5% to 15% have been made to the Comparable Transactions.

3. In term of size adjustment, it is based on the principle that a property transaction with a smaller size will be subject to a higher unit price and thus the Independent Valuer have made the size adjustment by referring to the differences in site areas between the Land Parcel and the Comparable Lands. The Comparable Lands are of smaller site areas than the property and downward adjustments based on the ratio of 1% per 60,000 sq. m. variance in site area have been made to the Comparable Transactions. As per the Independent Valuer's market observation, the adjustment quantum is in line with the market norm. As per the Independent Valuer's market observation, the adjustment quantum is in line with the market norm.

4. In term of configuration adjustment, the physical features of the Comparable Lands have been considered. Comparables 1 and 5 with flatter grounds are considered as superior to the Land Parcel in term of configuration and thus they have been adjusted downward by 10%. Comparables 2 and 3 with steeper grounds are considered as inferior to the Land Parcel in terms of configuration and thus they have been adjusted upward by 10%.

5. In term of view adjustment, the Land Parcel is a site with sea view and upward adjustments have been made to those Comparable Lands subject to less prestige views. Comparables 1, 2, 4 and 5 are subject to forest views and they have been adjusted upward by 5% in terms of view.

6. The adjustment rate applied to the unit price of each Comparable Transaction is calculated based on the below formula:

   Adjustment rate = 1 × (1+A) × (1+B) × (1+C) × (1+D) × (1+E)

7. The adjusted unit price of each Comparable Transaction is calculated based on the below formula:

   Adjusted unit price = Unit price × Adjustment rate

In view of the discrepancy between the Land Parcel and the Comparable Lands in terms of the Valuation Adjustment Factors as set out in Table 3 above, we are of the opinion that it is necessary to apply adjustments on the unit rate of the Comparable Transactions in order to arrive at a fair comparison of values. The Independent Valuer confirmed that all of the adjustments applied conform to the market practice. Upon our review on the calculation details of the adjusted unit rate of each Comparable Transactions (particularly, the calculation of the adjustment rate applied to each Comparable Transactions), together with our discussion with the Independent Valuer thereon, we consider that the calculation of the adjusted unit rate of each Comparable Transactions was conducted by the Independent Valuer under due and careful consideration.

In light of the above, and taking into account the Valuation Adjustment Factors and their effects on the price adjustment of the Comparable Transactions, we are of the view that the Comparable Lands are appropriate for the Valuation, and we concur with the Independent Valuer's view that the Market Approach is appropriate and common to determine the market value of the Land Parcel.

Based on the adjusted unit rate and weighting coefficient of each Comparable Transaction as set out in Table 4 above, the weighted average unit rate adopted by the Independent Valuer (the "**Adopted Unit Rate**") for the Valuation is JPY23,009 per sq. m. The fair value of the Land Parcel of approximately JPY5,007 million is calculated by multiplying (i) the Adopted Unit Rate (i.e. JPY23,009 per sq. m.); (ii) site area (i.e. 108,799 sq. m.); and (iii) the maximum plot ratio (i.e. 2 times).

For due diligence purpose, we have attempted to conduct independent research on the comparable transactions of the Land Parcel through Land General Information System (the "**Government System**") under Ministry of Land, Infrastructure, Transport and Tourism of the Japan government. However, we could only locate those transaction records for residential lands up to the fourth quarter of 2022 in the Government System. We have enquired with the Independent Valuer and were advised that the complete transaction records in respect of the recent sale and purchase of land parcels in Japan (including Miyakojima City) are not publicly available. Instead, the Independent Valuer identified the Comparable Transactions via the database of local real estate agencies, which are not accessible by us. Notwithstanding that, having considered the facts that (i) the Independent Valuer confirmed that, to the best of their knowledge, the Comparable Transactions represent an exhaustive list; (ii) we have independently verified that all the Comparable Transactions fulfilled the selection criteria adopted by the Independent Valuer; and (iii) the Independent Valuer possesses sufficient professional qualifications and independence required to perform the Valuation (please refer to our discussion in the paragraph headed "(iii) Scope of work and competence of the Independent Valuer" below), we consider that the Comparable Transactions are exhaustive.

*(ii) Valuation assumptions*

As advised by the Independent Valuer, they have adopted the following assumptions in arriving at the Valuation:

1. The legal titles of the Land Parcel have been properly obtained.

2. All premium, compensation, construction costs, and other costs of ancillary utility services have been settled in full.

3. The Land Parcel can be freely leased, mortgaged, transferred or otherwise disposed of, without any premium or impediments.

4. The use and construction of the Land Parcel is in compliance with the local planning regulations and have been approved by the relevant authorities.

5. There is no any existing easements or rights of way affecting the Land Parcel.

6. The owner has free and uninterrupted rights to use the Land Parcel.

7. The Land Parcel is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

Based on our discussions with the Independent Valuer, we understand that all the assumptions in the Valuation are generally adopted in other valuations of similar lands and are necessary for the Independent Valuer to arrive at a reasonable estimated reference value of the Land Parcel. Accordingly, we consider that the adoption of the assumptions in the Valuation is fair and reasonable.

*(iii) Scope of work and competence of the Independent Valuer*

In respect of the scope of work and competence of the Independent Valuer, we have reviewed the engagement letter between Summit Ascent and the Independent Valuer in respect of the Valuation, and are satisfied that the terms of the engagement letter between Summit Ascent and the Independent Valuer are appropriate to the opinion that the Independent Valuer is required to provide. We have discussed with the Independent Valuer in relation to their experiences and were given to understand that the Valuation was prepared by Mr. Vincent Cheung. Mr. Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He has over 25 years of experience in the valuation of fixed and intangible assets of similar magnitude and nature in the subject region. The Independent Valuer has also confirmed that they are independent to Summit Ascent, LET, the Independent Vendor and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. We are of the view that the Independent Valuer possesses sufficient professional qualifications and independence required to perform the Valuation.

Having considered the above, we are of the view that the Valuation conducted by the Independent Valuer is fair and reasonable.

***B. Consideration***

In assessing the fairness and reasonableness of the Total Consideration of HK$280 million, we have compared the Total Consideration to the fair transaction value for the Sale Shares A, the Sale Shares B, the Sale Loan A and the Sale Loan B (the "**Aggregate Transaction Value**"). As if the fair value of the Land Parcel would have been adjusted based on the Valuation Report, the unaudited pro forma balance sheet of Target Group A and Target Group B (collectively, the "**Target Groups**") as at 30 April 2023 would be as follows:

**Table 5: Unaudited pro forma balance sheet of the Target Groups as at 30 April 2023**

| | Audited balance sheet of Target Group A as at 30 April 2023 | Audited balance sheet of Target Group B as at 30 April 2023 | Pro forma adjustments | | Unaudited pro forma balance sheet of Target Groups as at 30 April 2023 |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note 1* | *Note 1* | *Note 3* | *Note 4* | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment *(Note 2)* | 266,139 | – | 24,927 | | 291,066 |
| Interest in an associate | – | 3,270 | | (3,270) | – |
| | **266,139** | **3,270** | | | **291,066** |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 248 | – | | | 248 |
| Amount due from an associate | – | 76,205 | | (76,205) | – |
| Bank balances and cash | 581 | – | | | 581 |
| | **829** | **76,205** | | | **829** |
| **CURRENT LIABILITIES** | | | | | |
| Sale Loan A | (174,541) | – | | | (174,541) |
| Sale Loan B | – | (80,680) | | | (80,680) |
| Shareholders' loans | (76,205) | – | | 76,205 | – |
| Amount due to a non-controlling shareholder of a subsidiary | (6,689) | – | | 6,689 | – |
| Contract liabilities, trade and other payables | (1) | – | | | (1) |
| | **(257,436)** | **(80,680)** | | | **(255,222)** |
| **NET ASSETS/ (LIABILITIES)** | **9,532** | **(1,205)** | | | **36,673** |

*Notes:*

1. The audited balance sheets of Target Group A and Target Group B are extracted from the accountants' report as set out in Appendix II-A and Appendix II-B to the Circular.

2. The property, plant and equipment of Target Group A of approximately HK$266,139,000 as at 30 April 2023 comprised (i) the book value of the Land Parcel of approximately HK$263,676,000; and (ii) the construction in progress of approximately HK$2,463,000.

3. The adjustment represents the difference between (a) the fair value of the Land Parcel as at 30 April 2023 of approximately HK$288,603,000 as per the Valuation Report; and (b) the book value of the Land Parcel of approximately HK$263,676,000 according to the audited balance sheet of Target Group A as at 30 April 2023.

4. The adjustments represent the elimination of the inter-company balances between Target Group A and Target Group B.

The Aggregate Transaction Value would be approximately HK$291.9 million, which is calculated based on the unaudited pro forma balance sheet of the Target Groups as at as at 30 April 2023 above and represents a combined value of:

(a) the pro forma net assets of the Target Groups of approximately HK$36.7 million as at 30 April 2023; and

(b) the outstanding non-interest bearing liabilities of approximately HK$174.5 million owed by Target Company A to LET (i.e. the Sale Loan A) as at the Latest Practicable Date; and

(c) the outstanding non-interest bearing liabilities of approximately HK$80.7 million owed by Target Company B to the Independent Vendor (i.e. the Sale Loan B) as at the Latest Practicable Date.

In light of the above and that the Total Consideration of HK$280 million is lower than the Aggregate Transaction Value of approximately HK$291.9 million, we consider that the Total Consideration is fair and reasonable so far as the Independent SA Shareholders are concerned and is in the interests of Summit Ascent and the SA Shareholders as a whole.

***C. Conclusion***

Having considered the above, we are of the view that the terms of the Sale and Purchase Agreements (including the Total Consideration) are fair and reasonable so far as the Independent SA Shareholders are concerned.

**6. Financial effects of the SA Acquisitions**

Upon Completion, Target Company A and Target Company B will be directly wholly-owned by Summit Ascent, and the financial results, assets and liabilities of Target Company A and Target Company B will be consolidated in the books and accounts of the SA Group.

Based on our discussion with, and the representation from, the SA Management, we understand that the following factors have been taken into account when Summit Ascent considered the potential impact of the SA Acquisitions on the financial performance and position of the SA Group:

***(i) Effect on net assets***

Based on the unaudited pro forma statement of financial position of the Enlarged Group as set out in Appendix IV to the Circular, which is prepared as if the SA Acquisitions had completed on 31 December 2022 to illustrate the effect of the SA Acquisitions, it is expected that the total assets of the SA Group would increase slightly from approximately HK$3,734,495,000 to approximately HK$3,734,496,000 and the total liabilities of the SA Group would increase slightly from approximately HK$240,286,000 to approximately HK$240,287,000. Equity attributable to owners of Summit Ascent would remain unchanged at approximately HK$3,180,359,000.

***(ii) Effect on liquidity***

According to its 2022 Annual Report, the SA Group's bank balances and cash amounted to approximately HK$831.9 million as at 31 December 2022. As advised by the SA Management, the Total Consideration of HK$280 million shall be payable in cash by Summit Ascent to LET and the Independent Vendor upon Completion, which will be funded by the SA Group's internal resources. In addition, it is expected that the SA Acquisition will incur transaction costs of approximately HK$3 million. Accordingly, the SA Group's bank balances and cash is expected to decrease by approximately HK$283 million.

***(iii) Effect on earnings***

As mentioned in the section headed "3. Reasons for and benefits of the SA Acquisitions" above, the SA Group intends to develop the Land Parcel into a luxury hotel with seaside cabins after Completion. Accordingly, it is expected that the SA Acquisitions will have positive impacts on the future earnings of the SA Group in the long run.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the SA Group will be after Completion.

**OPINION**

Having taken into account the above principal factors and reasons, we consider that notwithstanding that the entering into of the Sale and Purchase Agreements and the Change in SA Proceeds are not in the ordinary and usual course of business of the SA Group, the terms of the Sale and Purchase Agreements are on normal commercial terms, fair and reasonable so far as the Independent SA Shareholders are concerned, and the entering into of the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) and the Change in SA Proceeds are in the interests of Summit Ascent and the SA Shareholders as a whole. Accordingly, we recommend the Independent SA Board Committee to advise the Independent SA Shareholders to vote in favor of the relevant resolutions at the SGM to approve the entering into of the Sale and Purchase Agreements and the transactions contemplated thereunder (including the SA Acquisitions) and the Change in SA Proceeds.

Yours faithfully,
For and on behalf of
**Astrum Capital Management Limited**
**Hidulf Kwan**
*Managing Director*

*Note:* Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

## 1. FINANCIAL SUMMARY OF THE SA GROUP

Details of (i) to (iii) of the audited consolidated financial information of the SA Group for the years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of Summit Ascent (http://www.saholdings.com.hk).

(i) The audited financial information of the SA Group for the year ended 31 December 2022 is disclosed in the annual report of Summit Ascent for the year ended 31 December 2022 published on 27 April 2023, from pages 98 to 170;

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702414.pdf

(ii) The audited financial information of the SA Group for the year ended 31 December 2021 is disclosed in the annual report of Summit Ascent for the year ended 31 December 2021 published on 25 April 2022, from pages 81 to 156;

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042502386.pdf

(iii) The audited financial information of the SA Group for the year ended 31 December 2020 is disclosed in the annual report of Summit Ascent for the year ended 31 December 2020 published on 22 April 2021, from pages 75 to 152;

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200705.pdf

## 2. STATEMENT OF INDEBTEDNESS

As at 30 April 2023, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the printing of this circular, the Enlarged Group had unsecured and unguaranteed indebtedness comprising (i) loans from non-controlling shareholders of a subsidiary of the SA Group with a principal amount of approximately HK$175,472,000 and (ii) convertible bonds payable with a principal amount of approximately HK$23,549,000.

As at 30 April 2023, the Enlarged Group had outstanding lease liabilities in respect of leasehold land, buildings and offices of approximately HK$10,362,000 comprising (i) secured and unguaranteed lease liabilities of approximately HK$6,833,000, which were secured by rental deposits paid by the Enlarged Group; and (ii) unsecured and unguaranteed lease liabilities of approximately HK$3,529,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at 30 April 2023, the Enlarged Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts, hire purchase commitments or other similar indebtedness, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees, or other contingent liabilities.

### 3. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the SA Directors were not aware of any material adverse change in the financial or trading positions of the SA Group since 31 December 2022, being the date of which the latest published audited financial statements of Summit Ascent have been made up to.

### 4. SUFFICIENCY OF WORKING CAPITAL

The SA Directors are of the opinion that, after taking into account the present financial resources available to the SA Group including but not limited to loans from non-controlling shareholders of a subsidiary of the SA Group, revenue generated by its principal businesses and cash and cash equivalents on hand, the working capital available to the SA Group is sufficient for the SA Group's requirements for at least twelve months from the date of publication of this circular. The SA Directors confirm that requirements under Rule 14.66(12) have been complied with.

### 5. FINANCIAL AND TRADING PROSPECT

The SA Group is principally engaged in operation of hotel and gaming business in the IEZ Primorye in the Russian Federation, known as Tigre de Cristal, which is currently the only operating and reportable segment of the SA Group as disclosed in the annual report of Summit Ascent for the year ended 31 December 2022.

The SA Group has witnessed a full recovery in the local mass table and electronic gaming businesses in 2022. The performance in 2022 has been impressive, given that massive changes in the business environment have evolved, which made operating an integrated resort nothing comparable to the pre-COVID era. Nevertheless, these less-than-favourable factors have not hindered the SA Group from beating the records in the mass gaming market, which further amplified the privileged status of the integrated resort in the eyes of our customers in the Russian Far East.

Robust financial results aside, the Russia-Ukraine conflict continues to bring challenges to the SA Group operationally. The sanctions and the travel alerts to the Russian Federation are still in place, imports from abroad continued to be regulated, while international flights of the key international destinations have not yet been resumed. Throughout 2022, the SA Group has adapted by sourcing locally, stockpiling certain food and beverage items, and fine-tuning our marketing strategies, services and offering prices. Tigre de Cristal recognised the importance of local customers and will continue to build strong relationships with the local community, such as fully supporting local businesses by sourcing from them, organising well-loved local events for Russians and working towards becoming an active and engaged member of the local community through our comprehensive local corporate social responsibility initiatives.

Due to the unpredictable and volatile geopolitical tensions, the SA Group is now taking a conservative approach to slow down the progress of the Phase II development of the Tigre de Cristal. While the SA Group regrets having to make this inevitable decision, the integrated resort business environment changes rapidly and it is our mission to ensure that the SA Group generates value for our shareholders. Summit Ascent has been exploring alternative options, as well as potentially looking for strategic local partners who might be able to bring in value in terms of operating the integrated resort in the Russian Far East.

In addition to focusing locally on the leisure and entertainment business in the Russian Federation, Summit Ascent has invested in the gaming industry of the Philippines through Suntrust. The Philippines has proved itself as a Southeast Asian hub that could weather the lack of international travellers temporarily as it scored itself to be one of the best-performing countries in the Asian gaming sector amidst border closure in the past two years. Through leveraging the expertise in developing and operating a world-class integrated resort Tigre de Cristal, the SA Group will be able to establish a strong presence in the local Russian market while potentially diverging to other markets in the future.

*The following is the text of a report received from the Summit Ascents's reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

Crowe

國富浩華（香港）會計師事務所有限公司
**Crowe (HK) CPA Limited**
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUMMIT ASCENT HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Modest Achieve Limited (the "**Target Company A**") and its subsidiary (together, the "**Target Group A**") set out on pages II-A-4 to II-A-25, which comprises the consolidated statements of financial position of the Target Group A as at 31 December 2020, 2021 and 2022 and 30 April 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group A for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-A-4 to II-A-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Summit Ascent Holdings Limited (the "**Company**") dated 28 June 2023 in connection with the acquisition of 100% equity interests in the Target Company A.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The consolidated financial statements of the Target Group A for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the sole director of the Target Company A. The sole director of the Target Company A are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the sole director of the Target Company A determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group A as at 31 December 2020, 2021 and 2022 and 30 April 2023 and of the financial performance and cash flows of the Target Group A for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

**Materiality Uncertainty Related to Going Concern**

We draw attention to note 2 to the Historical Financial Information, which mentions that the Target Group A incurred loss of approximately HK$2,271,000 and recorded net cash outflow from operating activities of approximately HK$18,000 for the 4 months ended 30 April 2023, and also recorded net current liabilities of approximately HK$256,607,000 at 30 April 2023. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Target Group A's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Review of Interim Comparative Financial Information**

We have reviewed the interim comparative financial information of the Target Group A which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the four months ended 30 April 2022 and other explanatory information (the "**Interim Comparative Financial Information**"). The sole director of the Target Company A are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

***Dividends***

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company A in respect of the Relevant Periods.

**Crowe (HK) CPA Limited**
*Certified Public Accountants*
Hong Kong, 28 June 2023

**Alvin Yeung Sik Hung**
Practising Certificate Number P05206

## HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Crowe (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | *Notes* | **2020** | **2021** | **2022** | **2022** | **2023** |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **Revenue** | *8* | – | – | – | – | – |
| Net exchange gain/(loss) | | 4,543 | (9,433) | (13,249) | (11,378) | (1,653) |
| General and administrative expenses | | (94) | (37) | (39) | (22) | (6) |
| **Profit/(loss) from operations** | | 4,449 | (9,470) | (13,288) | (11,400) | (1,659) |
| Finance costs | *9* | (2,314) | (2,239) | (1,896) | (676) | (612) |
| **Profit/(loss) before taxation** | | 2,135 | (11,709) | (15,184) | (12,076) | (2,271) |
| Income tax | *10* | – | – | – | – | – |
| **Profit/(Loss) for the year/period** | | 2,135 | (11,709) | (15,184) | (12,076) | (2,271) |
| **Other comprehensive income/(loss) for the year/period** | | | | | | |
| Exchange differences on translating foreign operation | | 9,382 | (9,882) | (27,526) | (25,169) | (1,863) |
| Total comprehensive Income/(loss) for the year/period | | 11,517 | (21,591) | (42,710) | (37,245) | (4,134) |
| **Profit/(loss) for the year/period attributable to:** | | | | | | |
| Equity shareholder of the Target Company A | | 4,437 | (9,477) | (13,101) | (11,371) | (1,597) |
| Non-controlling interests | | (2,302) | (2,232) | (2,083) | (705) | (674) |
| | | 2,135 | (11,709) | (15,184) | (12,076) | (2,271) |
| **Total comprehensive income/(loss) attributable to:** | | | | | | |
| Equity shareholder of the Target Company A | | 13,780 | (19,512) | (27,139) | (24,208) | (2,547) |
| Non-controlling interests | | (2,263) | (2,079) | (15,571) | (13,037) | (1,587) |
| | | 11.517 | (21,591) | (42,710) | (37,245) | (4,134) |

The accompanying notes form an integral part of the Financial Information.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | At 31 December 2020 | At 31 December 2021 | At 31 December 2022 | At 30 April 2023 |
|---|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *12* | 350,643 | 324,604 | 271,222 | 266,139 |
| Deposits | *14* | 577 | – | – | – |
| | | 351,220 | 324,604 | 271,222 | 266,139 |
| **Current assets** | | | | | |
| Other receivables | *14* | 57 | 289 | 253 | 248 |
| Bank balance | *15* | 3,746 | 740 | 610 | 581 |
| | | 3,803 | 1,029 | 863 | 829 |
| **Current liabilities** | | | | | |
| Other payables | *16* | 13 | 12 | 13 | 1 |
| Shareholders' loans | *18* | 99,351 | – | 77,660 | 76,205 |
| Amount due to the immediate holding company | | 174,523 | 174,532 | 174,541 | 174,541 |
| Amounts due to non-controlling shareholders of a subsidiary | *17* | 3,168 | – | 6,204 | 6,689 |
| | | 277,055 | 174,544 | 258,418 | 257,436 |
| **Net current liabilities** | | (273,252) | (173,515) | (257,555) | (256,607) |
| **Total assets less current liabilities** | | 77,968 | 151,089 | 13,667 | 9,532 |
| **Non-current liabilities** | | | | | |
| Shareholders' loans | *18* | – | 89,699 | – | – |
| Amounts due to non-controlling shareholders of a subsidiary | *17* | – | 5,013 | – | – |
| | | – | 94,712 | – | – |
| **Net assets** | | 77,968 | 56,377 | 13,667 | 9,532 |

| | Note | At 31 December 2020 HK$'000 | At 31 December 2021 HK$'000 | At 31 December 2022 HK$'000 | At 30 April 2023 HK$'000 |
|---|---|---|---|---|---|
| **Capital and reserves** | *19* | | | | |
| Share capital | | – | – | – | – |
| Exchange reserve | | 10,257 | 222 | (13,816) | (14,767) |
| Retained profits/ (accumulated losses) | | 715 | (8,762) | (21,863) | (23,460) |
| **Total equity/(deficit) attributable to equity shareholder of the Target Company A** | | 10,972 | (8,540) | (35,679) | (38,227) |
| **Non-controlling interests** | | 66,996 | 64,917 | 49,346 | 47,759 |
| **Total equity** | | 77,968 | 56,377 | 13,667 | 9,532 |

The accompanying notes form an integral part of the Financial Information.

**STATEMENTS OF FINANCIAL POSITION**

| | Note | At 31 December 2020 HK$'000 | 2021 HK$'000 | 2022 HK$'000 | At 30 April 2023 HK$'000 |
|---|---|---|---|---|---|
| **Non-current asset** | | | | | |
| Investment in a subsidiary | | 77,525 | 77,525 | 77,525 | 77,525 |
| **Current asset** | | | | | |
| Amount due from a subsidiary | | 98,985 | 101,462 | 102,681 | 103,844 |
| **Current liability** | | | | | |
| Amount due to the immediate holding company | | 174,523 | 174,532 | 174,541 | 174,541 |
| **Net current liability** | | (75,538) | (73,070) | (71,860) | (70,697) |
| **Net assets** | | 1,987 | 4,455 | 5,665 | 6,828 |
| **Capital and reserve** | | | | | |
| Share capital | | – | – | – | – |
| Retained profits | *19* | 1,987 | 4,455 | 5,665 | 6,828 |
| **Total equity** | | 1,987 | 4,455 | 5,665 | 6,828 |

The accompanying notes form an integral part of the Financial Information.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to equity shareholder of the Target Company A | | | | | |
|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Exchange reserve *HK$'000* | Retained profits/ (accumulated losses) *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| At 1 January 2020 | – | 914 | (3,722) | (2,808) | 69,259 | 66,451 |
| Profit/(loss) for the year | – | – | 4,437 | 4,437 | (2,302) | 2,135 |
| Exchange differences on translating foreign operation | – | 9,343 | – | 9,343 | 39 | 9,382 |
| Total comprehensive income for the year | – | 9,343 | 4,437 | 13,780 | (2,263) | 11,517 |
| At 31 December 2020 and 1 January 2021 | – | 10,257 | 715 | 10,972 | 66,996 | 77,968 |
| Loss for the year | – | – | (9,477) | (9,477) | (2,232) | (11,709) |
| Exchange differences on translating foreign operation | – | (10,035) | – | (10,035) | 153 | (9,882) |
| Total comprehensive loss for the year | – | (10,035) | (9,477) | (19,512) | (2,079) | (21,591) |
| At 31 December 2021 and 1 January 2022 | – | 222 | (8,762) | (8,540) | 64,917 | 56,377 |
| Loss for the year | – | – | (13,101) | (13,101) | (2,083) | (15,184) |
| Exchange differences on translating foreign operation | – | (14,038) | – | (14,038) | (13,488) | (27,526) |
| Total comprehensive loss for the year | – | (14,038) | (13,101) | (27,139) | (15,571) | (42,710) |
| At 31 December 2022 and 1 January 2023 | – | (13,816) | (21,863) | (35,679) | 49,346 | 13,667 |
| Loss for the period | – | – | (1,597) | (1,597) | (674) | (2,271) |
| Exchange differences on translating foreign operation | – | (951) | – | (951) | (913) | (1,864) |
| Total comprehensive loss for the period | – | (951) | (1,597) | (2,548) | (1,587) | (4,135) |
| At 30 April 2023 | – | (14,767) | (23,460) | (38,227) | 47,759 | 9,532 |
| At 1 January 2022 | – | 222 | (8,762) | (8,540) | 64,917 | 56,377 |
| Loss for the period | – | – | (11,371) | (11,371) | (705) | (12,076) |
| Exchange differences on translating foreign operation | – | (12,837) | – | (12,837) | (12,332) | (25,169) |
| Total comprehensive loss for the period | – | (12,837) | (11,371) | (24,208) | (13,037) | (37,245) |
| At 30 April 2022 (unaudited) | – | (12,615) | (20,133) | (32,748) | 51,880 | 19,132 |

The accompanying notes form an integral part of the Financial Information.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | *Note* | **2020** | **2021** | **2022** | **2022** | **2023** |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | | (unaudited) | |
| **Operating activities** | | | | | | |
| Profit/(loss) before taxation | *9* | 2,135 | (11,709) | (15,184) | (12,076) | (2,271) |
| Adjustments for: | | | | | | |
| Finance costs | | 2,314 | 2,239 | 1,896 | 676 | 612 |
| Exchange (gain)/loss | | (4,543) | 9,433 | 13,249 | 11,378 | 1,653 |
| | | (94) | (37) | (39) | (22) | (6) |
| Changes in working capital: | | | | | | |
| Other receivables | | (55) | – | – | – | – |
| Deposits | | – | – | – | – | – |
| Other payables | | (356) | – | – | (12) | (12) |
| Amount due to the immediate holding company | | 12 | 9 | 9 | 7 | – |
| Cash used in operations | | (493) | (28) | (30) | (27) | (18) |
| **Net cash used in operating activities** | | (493) | (28) | (30) | (27) | (18) |
| **Investing activity** | | | | | | |
| Payment for acquisition of property, plant and equipment | | (591) | (2,599) | – | – | – |
| **Net cash used in investing activity** | | (591) | (2,599) | – | – | – |

| | | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | *Note* | **2020** | **2021** | **2022** | **2022** | **2023** |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | | (unaudited) | |
| **Net decrease in cash and cash equivalents** | | (1,084) | (2,627) | (30) | (27) | (18) |
| **Effect of foreign exchange rate changes** | | 230 | (379) | (100) | (81) | (11) |
| **Cash and cash equivalents at the beginning of the reporting period** | | 4,600 | 3,746 | 740 | 740 | 610 |
| **Cash and cash equivalents at the end of the reporting period** | *15* | 3,746 | 740 | 610 | 632 | 581 |

The accompanying notes form an integral part of the Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Target Company A is a limited liability company incorporated in British Virgin Island. The registered office of the Target Company is located at Vistra Corporate Services Centre, Wickhams Cay 11, Road Town Tortola, VG1110, British Virgin Islands. The principal place of business of the Target Company A is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Target Company A is an investment holding company and its subsidiary is principally engaged in property development.

As of the date of this report, the Target Company A has direct interest in the following entity:

| Name of subsidiary | *Note* | Place and date of incorporation and place of operation | Registered share capital JPY | Percentage of equity interest attribute to the Target Company A, directly or indirectly | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | 31 December 2020 | 31 December 2021 | 31 December 2022 | 30 April 2023 | |
| MSRD Corporation Limited (“**MSRD**”) | *(i)* | Japan (incorporated on 12 December 2017) | 60,100,000 | 51% | 51% | 51% | 51% | Property development |

(i) No audited financial statements have been prepared for since there is no statutory requirements under the jurisdiction that the entity is located.

### 2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs, which comprise all standards and interpretations approved by HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Group A in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Target Group A incurred loss of approximately HK$2,271,000 and recorded net cash outflow from operating activities of approximately HK$18,000 for the 4 months ended 30 April 2023, and also recorded net current liabilities of approximately HK$256,607,000 as at 30 April 2023. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group A’s ability to continue as a going concern. The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support from non-controlling shareholders of a subsidiary and the immediate holding company of Target Company A. The sole director is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Target Group A be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Target Group A’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Historical Financial Information has been prepared under the historical cost convention.

## 3. BASIS OF CONSOLIDATION

The Historical Financial Information include the financial statements of the Target Company A and its subsidiary for the years ended 31 December 2020, 2021 and 2022 and 4 months ended 30 April 2023.

The consolidated financial statements incorporate the financial statements of the Target Company A and entities controlled by the Target Company A. Control is achieved when the Target Company A:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Company A reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Company A obtains control over the subsidiary and ceases when the Target Company A losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Company A gains control until the date when the Target Company A ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company A and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Target Company A and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Target company A's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group A are eliminated in full on consolidation.

Non-controlling interests in subsidiary are presented separately from the Target Group A's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

## 4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group A has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[1, 3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants (the "**2022 Amendments**")[1] |

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Property, operating right and equipment

Property, operating right and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings and improvements in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group A accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, operating right and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, operating right and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### b) Other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses .

### c) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### d) Other payables

Other payables are initially recognised at fair value. Other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### e) Revenue recognition

***Interest income***

Interest income is recognised as it accrues using the effective interest method.

### f) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Relevant Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group A has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**g) Provisions and contingent liabilities**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statements of profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**h) Borrowing costs**

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**i) Related parties**

A party is considered to be related to the Target Group A if:

(a) the party is a person or a close member of that person's family and that perso

(i) has control or joint control over the Target Group A;

(ii) has significant influence over the Target Group A; or

(iii) is a member of the key management personnel of the Target Group A or of a parent of the Target Group A;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group A are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group A are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group A or an entity related to the Target Group A; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group A or to the parent of the Target Group A.

**j) Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**k) Impairment of financial assets**

The Target Group A recognises an allowance for excepted credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group A expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group A assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group A compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group A considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group A considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group A may also consider a financial asset to be in default when internal or external information indicates that the Target Group A is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group A. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

**l) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Target Group A's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Target Group A's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group A's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Target Group A's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

**Critical judgements in applying accounting policies**

The followings are the critical judgements, apart from those involving estimations (see below), that the sole director of Target Company A has made in the process of applying the Target Group A's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets***

The Target Group A assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Relevant Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 7. OPERATING SEGMENT INFORMATION

**(a) Operating segment information**

The sole director of the Target Company A has determined that the Target Group A has only one reportable segment as the Target Group A is principally engaged in property development in Japan which is the basis to allocate resources and assess performance of the Target Group A.

**(b) Geographical information**

As the Target Group A's major operations and non-current assets are located in Japan, no further geographical segment information is provided.

## 8. REVENUE

The Target Group A did not generate revenue for the years ended 31 December 2020, 2021 and 2022 and four months ended 30 April 2022 and 2023.

## 9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| **a) Finance costs** | | | | | |
| Interest on shareholders' loans | 2,314 | 2,239 | 1,896 | 676 | 612 |
| **b) Staff costs (including directors' remuneration)** | | | | | |
| Contributions to defined contribution retirement plan | – | – | – | – | – |
| Salaries, wages and other benefits | – | – | – | – | – |
| | – | – | – | – | – |

## 10. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Taxation charged to profit or loss:**

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* (unaudited) | *HK$'000* |
| Profit/(loss) before taxation | 2,135 | (11,709) | (15,184) | (12,076) | (2,271) |
| Notional tax on profit/(loss) before taxation, calculated at applicable rate | (1,438) | (1,395) | (1,302) | (440) | (421) |
| Tax effect of non-deductible expenses | 1,438 | 1,395 | 1,302 | 440 | 421 |
| | – | – | – | – | – |

### (a) British Virgin Islands income tax

Pursuant to the rules and regulations of British Virgin Islands, the Target Company A is not subject to any income tax in its jurisdiction.

### (b) Japan corporate income tax

Corporate tax in Japan is calculated on the estimated assessable profit for both years at the rates of taxation prevailing in Japan in which the Target Group A operates. No provision for Japan corporate income tax has been made for Relevant Periods as the Japan subsidiary incurred losses for Relevant Periods.

**11. DIRECTORS' REMUNERATION**

No directors' remuneration for the Relevant Periods were disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

**12. PROPERTY, PLANT AND EQUIPMENT**

| | Freehold land | Construction in progress | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | |
| At 1 January 2020 | 332,135 | – | 332,135 |
| Exchange realignment | 18,508 | – | 18,508 |
| At 31 December 2020 and 1 January 2021 | 350,643 | – | 350,643 |
| Addition during the year | – | 3,015 | 3,015 |
| Exchange realignment | (28,938) | (116) | (29,054) |
| At 31 December 2021 and 1 January 2022 | 321,705 | 2,899 | 324,604 |
| Exchange realignment | (52,993) | (389) | (53,382) |
| At 31 December 2022 and 1 January 2023 | 268,712 | 2,510 | 271,222 |
| Exchange realignment | (5,036) | (47) | (5,083) |
| At 30 April 2023 | 263,676 | 2,463 | 266,139 |
| **Carrying amount** | | | |
| At 31 December 2020 | 350,643 | – | 350,643 |
| At 31 December 2021 | 321,705 | 2,899 | 324,604 |
| At 31 December 2022 | 268,712 | 2,510 | 271,222 |
| At 30 April 2023 | 263,676 | 2,463 | 266,139 |
| **Cost** | | | |
| At 1 January 2022 | 321,705 | 2,899 | 324,604 |
| Exchange realignment | (47,042) | (333) | (47,375) |
| At 30 April 2022 | 274,663 | 2,566 | 277,229 |
| **Carry amount** | | | |
| At 30 April 2022 (unaudited)) | 274,663 | 2,566 | 277,229 |

**13. DIVIDEND**

No dividend was paid or declared by the Target Company A during the Relevant Periods.

### 14. DEPOSITS AND OTHER RECEIVABLES

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Deposits – non-current | 577 | – | – | – |
| Other receivables – current | 57 | 289 | 253 | 248 |
| | 634 | 289 | 253 | 248 |

### 15. CASH AND CASH EQUIVALENTS

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash and cash equivalents in the consolidated statement of financial position: | | | | |
| Bank balance | 3,746 | 740 | 610 | 581 |
| Cash and cash equivalents in the consolidated statement of cash flows | 3,746 | 740 | 610 | 581 |

### 16. OTHER PAYABLES

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Other payables | 13 | 12 | 13 | 1 |
| Financial liabilities measured at amortised cost | 13 | 12 | 13 | 1 |

### 17. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| **Name** | 2020 | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Toprich Business Investment Limited | – | – | – | 6,689 |
| Tomoko Ishizawa | – | 3,990 | 6,204 | – |
| Mio Takeuchi | 647 | 1,023 | – | – |
| Hiroshi Hagishima | 2,521 | – | – | – |
| | 3,168 | 5,013 | 6,204 | 6,689 |

**(a) Amounts due to non-controlling shareholders of a subsidiary**

The amounts are unsecured, interest-free and originally repayable on 21 July 2020. During the years ended 31 December 2020 and 2021, pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

**(b) Amount due to the immediate holding company**

The amounts are unsecured, interest-free and repayable on demand.

**18. SHAREHOLDERS' LOAN**

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| **Name** | **2020** | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Toprich Business Investment Limited | – | – | – | 76,205 |
| Tomoko Ishizawa | – | 71,391 | 77,660 | – |
| Mio Takeuchi | 20,275 | 18,308 | – | – |
| Hiroshi Hagishima | 79,076 | – | – | – |
| | 99,351 | 89,699 | 77,660 | 76,205 |

The loans from the shareholders are secured by parcels of freehold land, interest bearing at 2.4% per annum and originally repayable on 21 July 2020. During the year ended 31 December 2020 and 2021, pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

**19. CAPITAL AND RESERVES**

**(a) Movement in components of equity**

The reconciliation between the opening and closing balances of each component of the Target Group A's consolidated equity is set out in the consolidated statement of changes in equity.

**(b) Share capital**

| | *No. of share* | *US$* |
|---|---|---|
| At 31 December 2020, 2021 and 2022 and 30 April 2023 | 1 | 1 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

**(c) Capital management**

The Target Group A's primary objectives when managing capital are to safeguard the Target Group A's ability to continue as a going concern in order to fund its operation and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group A actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Target Company A nor any of its subsidiary are subject to any externally imposed capital requirements.

**(d) Statement of changes in equity**

The Target Company A was incorporated on 25 March 2019. There were no reserves available for distribution to equity shareholder as at 30 April 2023.

| | Attributable to equity shareholder of the Target Company A | | |
|---|---|---|---|
| | **Share capital** | **Retained profits/ (accumulated loss)** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2020 | – | (84) | (84) |
| Profit for the year | – | 2,071 | 2,071 |
| At 31 December 2020 and 1 January 2021 | – | 1,987 | 1,987 |
| Profit for the year | – | 2,468 | 2,468 |
| At 31 December 2021 and 1 January 2022 | – | 4,455 | 4,455 |
| Profit for the year | – | 1,210 | 1,210 |
| At 31 December 2022 and 1 January 2023 | – | 5,665 | 5,665 |
| Profit for the period | – | 1,163 | 1,163 |
| At 30 April 2023 | – | 6,828 | 6,828 |
| At 1 January 2022 | – | 4,455 | 4,455 |
| Profit for the period | – | 643 | 643 |
| At 30 April 2022 (unaudited) | – | 5,098 | 5,098 |

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group A's principal financial instruments comprise cash and cash equivalents, balances with related parties and interest-bearing borrowings. The main purpose of these financial instruments is to raise finance for the Target Group A's operations. The Target Group A has various other financial assets and liabilities such as financial assets included in other receivable and financial liabilities included in other payables, which arise directly from its operations.

The main risks arising from the Target Group A's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Group A does not hold or issue derivative financial instruments for trading purposes. The sole director reviews and agrees policies for managing each of these risks and they are summarised below:

### (a) Interest rate risk

The Target Group A's exposure to the risk of changes in market interest rates relates primarily to the Target Group A's cash and cash equivalents. The Target Group A regularly reviews and monitors the interest-bearing borrowings in order to manage its interest rate risk. The Target Group A's interest-bearing borrowings and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Interest expenses are charged to profit or loss as incurred.

### (b) Credit risk

The Target Group A trades only with recognised and creditworthy third parties. It is the Target Group A's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The credit quality and the maximum exposure to credit risk of the Target Group A's credit policy is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

### (c) Liquidity risk

The Target Group A monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

### (d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially most of the Target Group A's transactions are denominated in its local currency.

### (e) Fair values measurement

The carrying amounts of the Target Group A's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020, 2021 and 2022 and 30 April 2023.

## 21. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group A had the following transactions with its related parties during the year/period.

### a) Transactions with key management personnel

The key management personnel is the director of the Target Company A, and the remuneration for him is disclosed in note 11.

### b) Transactions with other related parties

During the Relevant Periods, the Target Group A entered into the following material related party transactions:

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Interest on shareholders' loans | 2,314 | 2,239 | 1,896 | 676 | 612 |

The director of the Target Company A is of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

**22. IMMEDIATE AND ULTIMATE HOLDING COMPANY**

At 30 April 2023, the sole director considers the immediate holding company and ultimate holding company of the Target Company A are LET Group Holdings Limited and Major Success Group Limited which are incorporated in the Cayman Islands and BVI respectively. The immediate holding company is listed on The Stock Exchange of Hong Kong Limited and produces financial statements available for public use. The ultimate holding company does not produce financial statements available for public use. The ultimate controlling party is Mr. Lo Kai Bong.

**23. EVENTS AFTER THE RELEVANT PERIODS**

On 18 May 2023, the immediate holding Company of the Target Company A, LET Group Holdings Limited, entered into the Sale and Purchase Agreement with Summit Ascent Holdings Limited to sell the 100% equity interest in the Target Company A and MSRD indirectly holds 51%, whose sole material asset is the land parcel.

**24. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Group A or any of its subsidiary in respect of any period subsequent to 31 December 2022.

*The following is the text of a report received from the Summit Ascent's reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

國富浩華（香港）會計師事務所有限公司
**Crowe (HK) CPA Limited**
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUMMIT ASCENT HOLDINGS LIMITED

### Introduction

We report on the historical financial information of Joyful Award Limited (the "**Target Company B**") and its subsidiaries (together, the "**Target Group B**") set out on pages II-B-4 to II-B-21, which comprises the consolidated statements of financial position of the Target Group B and the statements of financial position of the Target Company B as at 30 April 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group B for the period from 1 March 2023 (date of incorporation) to 30 April 2023 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-B-4 to II-B-21 an integral part of this report, which has been prepared for inclusion in the circular of Summit Ascent Holdings Limited (the "**Company**") dated 28 June 2023 in connection with the acquisition of 100% equity interests in the Target Company.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the sole directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group B for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the sole director of the Target Company B. The sole director of the Target Company B are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the director of the Target Company B determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group B and the Target Company B for the period from 1 March 2023 (date of incorporation) to 30 April 2023 and of the financial performance and cash flows of the Target Group B for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

**Materiality Uncertainty Related to Going Concern**

We draw attention to note 2 to the Historical Financial Information, which mentions that the Target Group B incurred loss of approximately HK$1,205,000 for the period from 1 March 2023 (date of incorporation) to 30 April 2023, and also recorded net current liabilities and net liabilities of approximately HK$4,475,000 and HK$1,205,000 respectively at 30 April 2023. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Target Group B's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

***Dividends***

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Target Company B in respect of the Relevant Periods.

**Crowe (HK) CPA Limited**
*Certified Public Accountants*
Hong Kong, 28 June 2023

**Alvin Yeung Sik Hung**
Practising Certificate Number P05206

## HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Crowe (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

| | *Notes* | **Period from 1 March 2023 (date of incorporation) to 30 April 2023** |
|---|---|---|
| | | *HK$'000* |
| **Revenue** | *8* | – |
| General and administrative expenses | | (33) |
| Exchange loss | | (1,111) |
| Share of result of an associate | | (61) |
| **Loss before taxation** | *9* | (1,205) |
| Income tax | *10* | – |
| **Loss for the period** | | (1,205) |
| Other comprehensive loss for the period | | – |
| **Total comprehensive income for the period** | | (1,205) |

The accompanying notes form an integral part of the Financial Information.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | *Notes* | **At 30 April 2023** *HK$'000* |
|---|---|---|
| **Non-current asset** | | |
| Interest in an associate | *13* | 3,270 |
| **Current asset** | | |
| Amount due from an associate | *13* | 76,205 |
| **Current liability** | | |
| Amount due to the immediate holding company | *14* | 80,680 |
| **Net current liability** | | (4,475) |
| **Net liability** | | (1,205) |
| **Capital and reserve** | | |
| Share capital | *15* | – |
| Accumulated losses | *15* | (1,205) |
| **Total equity** | | (1,205) |

The accompanying notes form an integral part of the Financial Information.

## STATEMENT OF FINANCIAL POSITION

| | *Note* | **At 30 April 2023** *HK$'000* |
|---|---|---|
| **Non-current assets** | | |
| Investment in a subsidiary | | – |
| Amount due from a subsidiary | | 80,664 |
| | | 80,664 |
| **Current liability** | | |
| Amount due to the immediate holding company | | 80,680 |
| **Net liabilities** | | (16) |
| **Capital and reserve** | | |
| Share capital | *15* | – |
| Accumulated losses | *15* | (16) |
| **Total equity** | | (16) |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | **Attributable to equity shareholder of the Target Company B** | | |
|---|---|---|---|
| | **Share capital** *HK$'000* | **Accumulated losses** *HK$'000* | **Total equity** *HK$'000* |
| At 1 March 2023 (date of incorporation) | – | – | – |
| Loss for the period | – | (1,205) | (1,205) |
| At 30 April 2023 | – | (1,205) | (1,205) |

The accompanying notes form an integral part of the Financial Information.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | *Note* | **Period from 1 March 2023 (date of incorporation to 30 April 2023** *HK$'000* |
|---|---|---|
| **Operating activities** | | |
| Loss before taxation | *9* | (1,205) |
| | | |
| Adjustments for: | | |
| Exchange loss | | 1,111 |
| Share of loss of an associate | | 61 |
| | | |
| Operating cashflow before working capital changes | | (33) |
| | | |
| Change in working capital: | | |
| Amount due to the immediate holding company | | 33 |
| | | |
| **Net cash generated from operating activities** | | – |
| | | |
| **Net increase in cash and cash equivalents** | | – |
| | | |
| **Cash and cash equivalents at the beginning of period** | | – |
| | | |
| **Cash and cash equivalents at the end of the period** | | – |

The accompanying notes form an integral part of the Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Target Company B is a limited liability company incorporated in British Virgin Island. The registered office of the Target Company is located at Sea Meadow House, (P.O. Box 116), Road Town, Tortola, British Virgin Islands. The principal place of business of the Target Company B is at Block A, 7/F., Sunview Industrial Building, 3 On Yip Street, Chai Wan.

The Target Company B is an investment holding company and its associate is principally holding the land in Japan.

As of the date of this report, the Target Company B has direct interest in the following entity:

| **Name of subsidiary** | *Note* | **Place of incorporation and place of operation** | **Registered share capital HK$** | **Percentage of equity interest attribute to the Target Company B, directly or indirectly as at 30 April 2023** | **Principal activities** |
|---|---|---|---|---|---|
| Toprich Business Investment Limited ("**Toprich**") | *(i)* | Hong Kong | 1 | 100% | Investment holding |

(i) No audited financial statements have been prepared since the entity is inactive since its incorporation and up to the moment that the entity holds an associate.

As of the date of this report, the Target Company B has indirect interests in the following entity:

| **Name of associate** | *Note* | **Place of incorporation and place of operation** | **Registered share capital JYP** | **Percentage of equity interest attribute to the Target Company B, indirectly as at 30 April 2023** | **Principal activities** |
|---|---|---|---|---|---|
| MSRD Corporation Limited ("**MSRD**") | *(i)* | Japan | 60,100,000 | 49% | Property development |

(i) No audited financial statements have been prepared since there is no statutory requirements under the jurisdiction that the entity is located.

### 2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs, which comprise all standards and interpretations approved by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Target Group B in the preparation of the Historical Financial Information throughout the Relevant Period.

The Target Group B incurred loss of approximately HK$1,205,000 for the period from 1 March 2023 (date of incorporation) to 30 April 2023, and also recorded net current liabilities and net liabilities of approximately HK$4,475,000 and HK$1,205,000 respectively at 30 April 2023. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group B's ability to continue as a going concern. The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support from the immediate holding company of Target Company B. The sole director is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Target Group B be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Target Group B's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Historical Financial Information has been prepared under the historical cost convention.

## 3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Target Company B and entities controlled by the Target Company B. Control is achieved when the Target Company B:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Company B reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Company B obtains control over the subsidiary and ceases when the Target Company B losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Company B gains control until the date when the Target Company B ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company B. Total comprehensive income of subsidiary is attributed to the owners of the Target Company B.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target company B's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group B are eliminated in full on consolidation.

**Acquisition of Toprich**

On 28 March 2023, the Target Company B, a wholly-owned subsidiary of the Solid Impact Limited, acquired 100% interest of Toprich. The consideration for acquisition was HK$1.

Target Company B and Toprich are both ultimately controlled by Mr. Clayton Ip.

## 4. ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[1, 3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants (the "**2022 Amendments**")[1] |

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Interests in associates**

An associate is an entity over which the Target Group B has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group B for like transactions and events in similar circumstances.

Under the equity method, investments in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Target Group B's share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Target Group B. When the Target Group's share of losses of the associates exceeds the Target Group B's interests in those associates (which includes any other long-term interests that, in substance, form part of the Target Group B's net investment in the associates), the Target Group B discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group B has incurred legal or constructive obligations or made payments on behalf of the associates.

Interests in associates or a joint venture are accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investments in associates, any excess of the cost of the investment over the Target Group B's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group B's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The Target Group B assesses whether there is an objective evidence that the interests in associates may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with associates or a joint venture of the Target Group B, profits and losses resulting from the transactions with the associates or joint venture are recognised in the Target Group B's consolidated financial statements only to the extent of interests in the associates or joint venture that are not related to the Target Group B.

**b) Other receivables**

A receivable is recognised when the Target Group B has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Group B has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

**c) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group B's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**d) Other payables**

Other payables are initially recognised at fair value. Oher payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**e) Revenue recognition**

***Interest income***

Interest income is recognised as it accrues using the effective interest method.

**f) Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group B operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available again which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Relevant Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group B has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**g) Provisions and contingent liabilities**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**h) Borrowing costs**

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**i) Related parties**

A party is considered to be related to the Target Group B if:

(a) the party is a person or a close member of that person's family and that perso

(i) has control or joint control over the Target Group B;

(ii) has significant influence over the Target Group B; or

(iii) is a member of the key management personnel of the Target Group B or of a parent of the Target Group B;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group B are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group B are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group B or an entity related to the Target Group B; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group B or to the parent of the Target Group B.

**j) Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**k) Impairment of financial assets**

The Target Group B recognises an allowance for excepted credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group B expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group B assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group B compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group B considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group B considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group B is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group B. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

**l) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Target Group B's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Target Group B's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group B's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Target Group B's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

**Critical judgements in applying accounting policies**

The followings are the critical judgements, apart from those involving estimations (see below), that the sole director of Target Group B have made in the process of applying the Target Group B's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets***

The Target Group B assesses whether there are any indicators of impairment for all non-financial assets at the end of each Relevant Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Provision for expected credit losses on other receivables***

The impairment provisions for other receivables are based on assumptions about expected credit losses. The Target Group B uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of each Relevant Period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

## 7. OPERATING SEGMENT INFORMATION

The director of the Target Company B has determined that the Target Group B has only one reportable segment as the Target Group B is principally engaged in holding an associate which is the basis to allocate resources and assess performance of the Target Group B.

## 8. REVENUE

The Target Group B did not generate any revenue since its incorporation.

## 9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | Period from 1 March 2023 (date of incorporation) to 30 April 2023 |
|---|---|
| | *HK$'000* |
| **a) Staff costs (including directors' remuneration)** | |
| Contributions to defined contribution retirement plan | – |
| Salaries, wages and other benefits | – |
| | – |

## 10. INCOME TAX

No Hong Kong Profits Tax has been provided in the consolidated financial statement as the Target Group B has no assessable profits for the period from 1 March 2023 (date of incorporation) to 30 April 2023.

**Taxation charged to profit or loss:**

| | Period from 1 March 2023 (date of incorporation) to 30 April 2023 |
|---|---|
| | *HK$'000* |
| Loss before taxation | (1,205) |
| Notional tax on loss before taxation, calculated at applicable rate | (196) |
| Tax effect of non-deductible expenses | 196 |
| | – |

## 11. DIRECTORS' REMUNERATION

No directors' remuneration for the Relevant Period was disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

## 12. DIVIDEND

No dividend was paid or declared by the Target Company B during the Relevant Period.

**13. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE**

At the end of the reporting period, the Target Group B held 49% equity interest in MSRD.

| | **At 30 April 2023** *HK$'000* |
|---|---|
| Interest in an associate | 3,270 |

| | **At 30 April 2023** *HK$'000* |
|---|---|
| Amount due from an associate | 76,205 |

(a) As of the date of this report, the Target Company B has indirect interest in the following entity:

| Name of associate | Place and date of incorporation and place of operation | Registered share capital JPY | Percentage of equity interest attribute to the Target Company B, directly or indirectly at 30 April 2023 | Principal activities |
|---|---|---|---|---|
| MSRD | Japan (incorporated on 12 December 2017) | 60,100,000 | 49% | Property development |

(b) Summarised financial information of the associate, adjusted for any difference in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

| | **At 30 April 2023** *HK$'000* |
|---|---|
| Non-current assets | 175,343 |
| Current assets | 828 |
| Current liabilities | (169,497) |
| Equity | 6,674 |

| | **Period from 20 April 2023 to 30 April 2023** *HK$'000* |
|---|---|
| Revenue | – |
| Loss for the period | (123) |
| Other comprehensive loss for the period | – |
| Total comprehensive loss for the period | (123) |
| Dividend received for the period | – |

(c) Reconciliation of the above summarised financial information of the associate to the carrying amount of the interests in an associate recognised in the consolidated financial statements:

| | *HK$'000* |
|---|---|
| Net assets of an associate | 6,674 |
| Target Group A's effective interest | 49% |
| Target Group A's share of net assets of the associate | 3,270 |
| Carrying amount in the consolidated financial statements | 3,270 |

**14. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY**

The amount is unsecured, interest-free and repayable on demand.

**15. CAPITAL AND RESERVE**

**(a) Movement in components of equity**

The reconciliation between the opening and closing balances of each component of the Target Group B's consolidated equity is set out in the consolidated statement of changes in equity.

**(b) Share capital**

| | *No. of shares* | *US$* |
|---|---|---|
| **Ordinary share, issued and fully paid:** | | |
| At the date of incorporation | – | – |
| Share issued | 1 | 1 |
| At 30 April 2023 | 1 | 1 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

**(c) Capital management**

The Target Group B's primary objectives when managing capital are to safeguard the Target Group B's ability to continue as a going concern in order to fund its operation and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group B actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Target Company B nor any of its subsidiary is subject to any externally imposed capital requirements.

**(d) Statement of changes in equity**

Details of the changes in the Target Company B reserves between the beginning and the end of the reporting period are set out as below:

| | Share capital | Accumulated losses | Total equity |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 March 2023 (date of incorporation) | – | – | – |
| Loss for the period | – | (16) | (16) |
| Other comprehensive income for the period | – | – | – |
| At 30 April 2023 | – | (16) | (16) |

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group B's principal financial instruments comprise balances with related parties. The main purpose of these financial instruments is to raise finance for the Target Group B's operations.

The main risks arising from the Target Group B's financial instruments are credit risk and liquidity risk. The Target Group B does not hold or issue derivative financial instruments for trading purposes. The sole director of Target Company B reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Credit risk**

The Target Group B trades only with recognised and creditworthy third parties. It is the Target Group B's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit quality and the maximum exposure to credit risk of the Target Group B's credit policy is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Relevant Period. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

**(b) Liquidity risk**

The Target Group B monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

**(c) Fair values measurement**

The carrying amounts of the Target Group B's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 April 2023.

## 17. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group B had the following transactions with its related parties during the period.

a) Transactions with key management personnel

All members of key management personnel are the directors of the Target Company B, and the remuneration for them is disclosed in note 11.

b) The Targete Group B pledged all its assets including the interest in the associate to secure the loan of HK$83,000,000 granted to the director and the ultimate shareholder of the Target Company B.

**18. IMMEDIATE AND ULTIMATE HOLDING COMPANY**

At 30 April 2023, the director consider the ultimate holding company of the Target Company B is Solid Impact Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use. The ultimate controlling party is Mr. Clayton Ip.

**19. MAJOR NON-CASH TRANSACTIONS**

During the Relevant Period, the Target Group B has the below major non-cash transaction:

The Target Group B acquired 49% equity interest of MSRD at consideration of approximately HK$3,331,000. The consideration was settled by the immediate holding company on behalf of the Target Group B.

The immediate holding company advanced approximately HK$76,205,000 to the associate of the Target Group B on behalf of the Target Group B.

**20. EVENT AFTER THE RELEVANT PERIOD**

On 18 May 2023, the ultimate holding company of the Target Company B, Solid Impact Limited, entered into a sales and purchase agreement with Summit Ascent Holdings Limited to sell the entire issued Share capital of the Target Company B.

**21. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Company B or any of its subsidiary in respect of any period subsequent to 30 April 2023.

*Set out below is the management discussion and analysis of the Target Groups, which is based on the financial information of the Target Groups as set out in Appendix II-A and Appendix II-B to this circular.*

## BUSINESS OVERVIEW

Target Company A is a limited liability company incorporated in BVI and a directly wholly-owned subsidiary of LET. Target Company B is a limited liability company incorporated in BVI and an indirect wholly-owned subsidiary of the Independent Vendor. The Target Companies are principally engaged in investment holding.

Target Group A and Target Group B hold 51.0% and 49.0% interest in MSRD respectively. MSRD is a limited liability company incorporated in Japan principally engaged in the property development in Japan. The sole material asset of MSRD is the Land Parcel.

## FINANCIAL RESULTS OF THE TARGET GROUPS

### Target Group A

Set out below is the key financial information of the Target Group A for the three years ended 31 December 2022 ("**Relevant Period A**"):

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | – | – | – |
| Direct costs | – | – | – |
| Net exchange gain/(loss) | 4,543 | (9,433) | (13,249) |
| General and administrative expenses | (94) | (37) | (39) |
| Profit/(loss) from operations | 4,449 | (9,470) | (13,288) |
| Finance costs | (2,314) | (2,239) | (1,896) |
| Profit/(loss) before taxation | 2,135 | (11,709) | (15,184) |
| Income tax | – | – | – |
| Profit/(loss) for the year | 2,135 | (11,709) | (15,184) |

**Target Group B**

Set out below is the key financial information of the Target Group B for the period from 1 March 2023 (date of incorporation) to 30 April 2023 ("**Relevant Period B**"):

| | **For the period from 1 March 2023 (date of incorporation) to 30 April 2023** |
|---|---|
| | *HK$'000* |
| Revenue | – |
| General and administrative expenses | (33) |
| Exchange loss | (1,111) |
| Share of result of an associate | (61) |
| Loss before taxation | (1,205) |
| Income tax | – |
| Loss for the period | (1,205) |

**FINANCIAL REVIEW OF TARGET GROUP A**

**Revenue**

Target Group A had no operations and recorded nil revenue throughout the Relevant Period A.

**Net exchange gain/(loss)**

During the Relevant Period A, the net exchange gain/(loss) recorded by Target Group A were approximately HK$4,543,000, HK$(9,433,000) and HK$(13,249,000) respectively, which was derived from the exchange difference on translation of functional currency of JPY to presentation currency of HK$ during the Relevant Period A.

**General and administrative expenses**

During the Relevant Period A, the general and administrative expenses recorded by Target Group A were approximately HK$94,000, HK$37,000 and HK$39,000 respectively.

**Finance costs**

During the Relevant Period A, the finance costs recorded by Target Group A were approximately HK$2,314,000, HK$2,239,000 and HK$1,896,000 respectively. The decrease in finance costs during the Relevant Period A was primarily due to the exchange difference on translation of functional currency of JPY to HK$.

**Income tax expense**

During the Relevant Period A, Target Group A recorded nil income tax expense.

**Profit/(loss) for the year**

During the Relevant Period A, the net profit/(loss) recorded by Target Group A was approximately HK$2,135,000, HK$(11,709,000) and HK$(15,184,000) respectively.

**Liquidity and financial resources**

The current ratio of Target Group A, calculated as current assets divided by current liabilities, as at 31 December 2020, 2021 and 2022 was approximately 0.0137, 0.0059 and 0.0033 respectively. The bank deposits of Target Group A as at 31 December 2020, 2021 and 2022 was approximately HK$3,746,000, HK$740,000 and HK$610,000 respectively, all of which were denominated in JPY. The decrease in bank deposits as at 31 December 2021 and 2022 was due to depreciation in JPY and expenses of MSRD.

**Gearing ratio**

The gearing ratio of Target Group A, calculated by dividing total debts by total assets as at the end of each financial year multiplied by 100%, as at 31 December 2020, 2021 and 2022 was approximately 76.97%, 82.69% and 94.98% respectively. The changes in gearing ratio during Relevant Period A were primarily due to the changes in the value of JPY against HK$ resulting in changes in the value of Target Group A's property, plant and equipment.

As at 31 December 2020, 2021 and 2022, Target Group A had aggregate shareholders' loans, amount due to the immediate holding company and amounts due to non-controlling shareholders of a subsidiary of approximately HK$277,042,000, HK$269,244,000 and HK$258,405,000 respectively. Under the Sale and Purchase Agreement A, the amount due to immediate holding company will be assigned to Summit Ascent on Completion.

**Charges on assets**

The Land Parcel is mortgaged as security for shareholders' loans owed by MSRD to Target Company A and Toprich as at 30 April 2023.

## FINANCIAL REVIEW OF TARGET GROUP B

### Revenue

Target Group B had no operations and recorded nil revenue throughout the Relevant Period B.

### General and administrative expenses

During the Relevant Period B, the general and administrative expenses recorded by Target Group B was approximately HK$33,000.

### Exchange loss

During the Relevant Period B, the net exchange loss recorded by the Target Group B was approximately HK$1,111,000, which was derived from exchange difference of amount due from an associate which denominated in JPY.

### Share of result of an associate

During the Relevant Period B, the share of result of an associate recorded by Target Group B was a loss of approximately HK$61,000 derived from Target Group B's interest in MSRD.

### Income tax expense

During the Relevant Period B, Target Group B recorded nil income tax expense.

### Loss for the Period

During the Relevant Period B, the net loss recorded by Target Group B was approximately HK$1,205,000.

### Liquidity and financial resources

As at 30 April 2023, Target Group B had amount due from an associate of approximately HK$76,205,000 and nil cash and cash equivalents.

As at 30 April 2023, Target Group B had amount due to immediate holding company of approximately HK$80,680,000.

### Gearing ratio

The gearing ratio of Target Group B, calculated by dividing total debts by total assets as at the end of each financial year multiplied by 100%, as at 30 April 2023 was approximately 101.52%.

### Charges on assets

Mortgage of the 1 share of Target Company B and 1 share of Toprich were created on 4 April 2023.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

### Target Group A

During the Relevant Period A, Target Company A did not have any significant investments, material acquisitions and disposals.

### Target Group B

During the Relevant Period B, Target Company B acquired 100% of the issued share capital of Toprich Business Investment Limited on 28 March 2023 and Toprich Business Investment Limited acquired 49% of the issued share capital of MSRD and the shareholder's loan of JPY1,323,000,000 (equivalent to approximately HK$76,205,000) on 20 April 2023.

## SEGMENTAL INFORMATION

The operations of both the Target Groups represent a single operating and reportable segment, which is property development and investment holding respectively. As such, there is no segment information available for the Target Groups during the Relevant Period A and Relevant Period B respectively.

## CAPITAL STRUCTURE

### Target Group A

During the Relevant Period A, the Target Group A's capital structure comprises an aggregate of shareholders loan, amount due to immediate holding company and amounts due to non-controlling shareholders of a subsidiary of approximately HK$277,042,000, HK$269,244,000 and HK$258,405,000 as at 31 December 2020, 2021 and 2022 respectively.

### Target Group B

During the Relevant Period B, the Target Group B's capital structure comprises amount due to immediate holding company of approximately HK$80,680,000 as at 30 April 2023.

## FOREIGN EXCHANGE EXPOSURE

### Target Group A

Target Group A's income and monetary assets and liabilities are denominated in its local currency. There was no significant foreign exchange exposure during the Relevant Period A. As at the Latest Practicable Date, Target Group A did not have a foreign currency hedging policy.

**Target Group B**

Target Group B's income and monetary assets and liabilities are denominated in HK$. There was no foreign exchange exposure during the Relevant Period B. As at the Latest Practicable Date, Target Company B did not have a foreign currency hedging policy.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

**Target Group A**

As at 31 December 2020, 2021 and 2022, Target Group A did not have material contingent liabilities and capital commitments.

**Target Group B**

As at 30 April 2023, Target Group B did not have material contingent liabilities and capital commitments.

## FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

**Target Group A**

Target Group A had no plan for material investments or capital assets as at 31 December 2020, 2021 and 2022.

**Target Group B**

Target Group B had no plan for material investments or capital assets as at 30 April 2023.

## NUMBER OF EMPLOYEES

Target Group A and Target Group B had no employees during the Relevant Period A and Relevant Period B.

*The information set out below does not form part of the accountants' reports prepared by the reporting accountants of the Company, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, set out in Appendix II-A "Financial Information of Target Group A" and Appendix II-B "Financial Information of Target Group B" to this circular and is included herein for information only. The unaudited pro forma financial information set out below should be read in conjunction with Appendix I "Financial Information of the SA Group", Appendix II-A "Financial Information of Target Group A" and Appendix II-B "Financial Information of Target Group B" to this circular.*

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following is an illustrative and unaudited pro forma financial information of the Summit Ascent Holdings Limited (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2022 of Summit Ascent Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which have been prepared on the basis of the notes set out below and in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the proposed acquisition (the "**SA Acquisition**") of 100% of the equity interest in Modest Achieve Limited and its subsidiaries (collectively, "**Target Group A**") and Joyful Award Limited and its subsidiaries (collectively, "**Target Group B**") on the Group (collectively, the "**Enlarged Group**"), assuming that the SA Acquisition had been completed as at the dates indicated below.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position, results of operation and cash flows of the Enlarged Group had the SA Acquisition been completed as at 30 April 2023 for the unaudited pro forma consolidated statement of financial position as at 31 December 2022 of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the financial information of Target Group A and Target Group B set out in Appendix I, Appendix II-A and Appendix II-B to this circular, respectively.

**Consolidated statement of financial position of the Enlarged Group**

| | The Group as at 31 December 2022 | Target Group A as at 30 April 2023 | Target Group B as at 30 April 2023 | Pro Forma Adjustments | | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note 1* | *Note 2* | *Note 2* | *Note 3* | *Note 4* | |
| **Non-current assets** | | | | | | |
| Property, operating right and equipment | 1,115,134 | 266,139 | – | 16,033 | | 1,397,306 |
| Right-of-use assets | 13,042 | – | – | | | 13,042 |
| Long-term prepayments and other non-current assets | 38,114 | – | – | | | 38,114 |
| Derivative financial instruments | 1,610,994 | – | – | | | 1,610.994 |
| Intangible assets | 259 | – | – | | | 259 |
| Interest in an associate | – | – | 3,270 | (3,270) | | – |
| | 2,777,543 | 266,139 | 3,270 | | | 3,059,715 |
| **Current assets** | | | | | | |
| Inventories | 4,414 | – | – | | | 4,414 |
| Trade and other receivables | 34,236 | 248 | – | | | 34,484 |
| Amounts due from fellow subsidiaries | 86,441 | – | – | | | 86,441 |
| Amount due from an associate | – | – | 76,205 | | (76,205) | – |
| Bank balances and cash | 831,861 | 581 | – | (283,000) | | 549,442 |
| | 956,952 | 829 | 76,205 | | | 674,781 |
| **Current liabilities** | | | | | | |
| Contract liabilities, trade and other payables | 48,801 | 1 | – | | | 48,802 |
| Amount due to a non-controlling shareholder of a subsidiary | – | 6,689 | – | (6,689) | | – |
| Amount due to the immediate holding company | – | 174,541 | 80,680 | (255,221) | | – |
| Derivative financial instrument | 167 | – | – | | | 167 |
| Lease liabilities | 6,294 | – | – | | | 6,294 |
| Shareholders' loans | – | 76,205 | – | | (76,205) | – |
| | 55,262 | 257,436 | 80,680 | | | 55,263 |

| | The Group as at 31 December 2022 | Target Group A as at 30 April 2023 | Target Group B as at 30 April 2023 | Pro Forma Adjustments | | The Enlarged Group |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note 1* | *Note 2* | *Note 2* | *Note 3* | *Note 4* | |
| **Net current assets/(liabilities)** | 901,690 | (256,607) | (4,475) | | | 619,518 |
| **Total assets less current liabilities** | 3,679,233 | 9,532 | (1,205) | | | 3,679,233 |
| **Non-current liabilities** | | | | | | |
| Convertible bonds | 19,073 | – | – | | | 19,073 |
| Loans from non-controlling shareholders of a subsidiary | 138,748 | – | – | | | 138,748 |
| Liabilities for value-added tax ("**VAT**") arrangements | 20,318 | – | – | | | 20,318 |
| Lease liabilities | 6,885 | – | – | | | 6,885 |
| | 185,024 | – | – | | | 185,024 |
| **Net assets/(liabilities)** | 3,494,209 | 9,532 | (1,205) | | | 3,494,209 |
| **Capital and reserves** | | | | | | |
| Share capital | 112,736 | –* | –* | | | 112,736 |
| Reserves | 3,067,623 | (38,227) | (1,205) | 39,432 | | 3,067,623 |
| **Equity/(deficit) attributable to owners of the Company** | 3,180,359 | (38,227) | (1,205) | | | 3,180,359 |
| Non-controlling interests | 313,850 | 47,759 | – | (47,759) | | 313,850 |
| | 3,494,209 | 9,532 | (1,205) | | | 3,494,209 |

* Less than HK$1,000

## Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts have been extracted from the audited consolidated statement of financial position as at 31 December 2022 included in the published annual report of the Company for the year ended 31 December 2022.

2. The amounts have been extracted from the audited consolidated statement of financial position of Target Group A and Target Group B as at 30 April 2023 in Appendix II-A & II-B respectively to this circular.

3. The pro forma adjustment represents the allocation of aggregated consideration of HK$280,000,000 to the assets and liabilities acquired at the SA Acquisition. The SA Acquisition is mainly to acquire a land through acquisition of 100% equity in Target Group A and Target Group B, therefore it does not meet the definition of a business acquisition and should be accounted for as an asset deal. The Consideration will be financed by the internal resources of the Group and will be paid in cash.

   a. Upon completion of the SA Acquisition, Target Group A and Target Group B will become a 100% subsidiary of the Company, and the identifiable assets and liabilities of the Target Group A and Target Group B will be accounted for by the Group at their fair value of consideration paid.

   b. The estimated professional fees and transaction costs of approximately HK$3,000,000 payable by the Group in connection with the SA Acquisition, which are assumed to be due upon Completion and are capitalized as property, operating right and equipment.

   c. The amount due to the immediate holding company by Target Group A and the amount due to the immediate holding company by Target Group B were assigned to the Group after the Completion.

4. The adjustment represents the inter-company balances between Target Group A and Target Group B.

5. Apart from the above, no other adjustment has been made to the unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group and Target Group A and Target Group B entered or proposed to enter into subsequent to 31 December 2022 and 30 April 2023 respectively.

*The following is the text of a report from the Company's reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF SUMMIT ASCENT HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Summit Ascent Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), and Modest Achieve Limited and its subsidiaries and Joyful Award Limited and its subsidiaries (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position of the Enlarged Group as at 31 December 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-4 of the Company's circular dated 28 June 2023, in connection with the proposed acquisition of 100% equity interest in Modest Achieve Limited and its subsidiaries (collectively, "**Target Group A**") and Joyful Award Limited and its subsidiaries (collectively, "**Target Group B**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the SA Acquisition on the Group's financial position as at 31 December 2022 as if the Acquisition had taken place at 30 April 2023 for Target Group A and Target Group B. As part of this process, information about the Group's financial position as at 31 December 2022 have been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2022, on which an audit report has been published, and information about the financial positions of the Target Groups has been extracted from the accountants' report on the Target Groups included in Appendix II-A and Appendix II-B to the Circular.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

a) the Unaudited pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Crowe (HK) CPA Limited**
*Certified Public Accountants*
Hong Kong, 28 June 2023

**Alvin Yeung Sik Hung**
Practising Certificate Number P05206

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent property valuer, in connection with its opinion of market value of the Land Parcel as at 30 April 2023.*

**Vincorn Consulting and Appraisal Limited**
Units 1602-4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong

**The Board of Directors**
Summit Ascent Holdings Limited
Unit 1704, 17th Floor,
West Tower, Shun Tak Centre,
Nos. 168-200 Connaught Road Central,
Hong Kong

28 June 2023

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Value of the property interests located in Japan to be acquired by Summit Ascent Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 30 April 2023 (the "**Valuation Date**").

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; and the requirements set out in the Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

**VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

## VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under freehold interests, we have assumed that the owner has free and uninterrupted rights to use the property interests.

## VALUATION METHODOLOGY

When valuing the property interests to be acquired by the Group, we have adopted Market Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, size, configuration and so on.

There are three principal valuation approaches under the HKIS Valuation Standards 2020 and the International Valuation Standards, namely Market Approach, Income Approach and Cost Approach. Income Approach has not been adopted because Income Approach is a valuation approach commonly adopted for income producing properties such as offices, shops and arcades but the property is currently a vacant land without a potential to generate any immediate income.

Cost Approach has not been adopted because this technique, which bases on an aggregate of the depreciated replacement costs of the existing buildings and the market cost of acquiring the land, is only applied when there is a lack of comparable transactions in the market. However, relevant land sale comparables for the property are found available in the prevailing market.

## LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents, including the title registration documents from the Legal Affairs Bureau, in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on information provided by the Group.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation certificate.

## INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of information provided to us by the Group which is material to the valuation.

## INSPECTION AND INVESTIGATIONS

The property was inspected externally and internally on 22 September 2022. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

**CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Japanese Yen ("**JPY**") and Hong Kong Dollar ("**HKD**"). The exchange rate adopted in our valuation is approximately JPY1.00 = HKD0.05764 which was approximately the prevailing exchange rate as at the Valuation Date.

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**
*BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD*
*RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC*
Managing Director

*Note:*

*Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("**Hong Kong**"), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.*

## VALUATION CERTIFICATE

**Property Interests to be Acquired by the Group in Japan for Future Development**

| Property | Description and Tenure | Occupancy Particulars | Market Value as at 30 April 2023 |
|---|---|---|---|
| Lot Nos. 693-2, 693-6, 693-8, 756-1, 762-1, 762-2, 763-1, 763-2, 764-1, 764-2, 764-3, 766-1, 766-2, 767-1, 769-1, 775, 776, 777-2, 779-2, 780-1, 780-2, 780-3, 781, 783-1, 783-2, 785-1, 787-1 and 785-3, Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan | The property comprises 28 adjoining land parcels located in Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan.<br><br>As per the title registration documents, the property has a total site area of approximately 108,799.00 square metres ("**sq.m.**").<br><br>According to the latest development control stated in Note No. 7, the maximum permissible GFA of the property is approximately 217,598.00 sq.m.<br><br>The property is held under freehold interests. | As per our on-site inspection and the information provided by the Group, the property is currently vacant. | JPY5,007,000,000 (Equivalent to HKD288,603,480)<br><br>51% Interest to be Attributable to the Group After Acquisition:<br><br>JPY2,553,570,000 (Equivalent to HKD147,187,775) |

*Notes:*

1. The property was inspected by Yuka Miyagi *BA* on 22 September 2022.

2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MRICS MHKIS RPS(GP) MCIREA MHIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. The details of the title registration documents of the property dated 21 April 2023 are summarised below:-

| Item | Details |
|---|---|
| Lot Numbers: | 693-2, 693-6, 693-8, 756-1, 762-1, 762-2, 763-1, 763-2, 764-1, 764-2, 764-3, 766-1, 766-2, 767-1, 769-1, 775, 776, 777-2, 779-2, 780-1, 780-2, 780-3, 781, 783-1, 783-2, 785-1, 787-1 and 785-3 |
| Registered Owner: | MSRD Corporation Limited ("**MSRD**")<br><br>By an assignment dated 1 November 2018, registered vide Memorial No. 4837 |
| Tenure: | Freehold |
| Total Site Area: | 108,799.00 sq.m. |

4. Pursuant to the title registration documents of the property dated 21 April 2023, the property is subject to the following encumbrances:–

   - A mortgage at a loan amount of JPY1,053,000,000 dated 23 July 2019, registered vide Memorial No. 3044;
   - A mortgage at a loan amount of JPY270,000,000 dated 23 July 2019, registered vide Memorial No. 3044;
   - A mortgage at a maximum loan amount of JPY1,377,000,000 dated 21 October 2019, registered vide Memorial No. 4593; and
   - Two provisional mortgage transfer registrations dated 29 September 2022 and 14 November 2022 respectively, registered vide Memorial Nos. 3639 and 4334.

5. Pursuant to the title registration documents of the property dated 21 April 2023, we have not identified any registered notice, pending litigation, breaches of law or title defect in relation to the property.

6. Pursuant to the Certificate of Development Approval, dated 27 July 2017 and issued by the Governor of Okinawa Prefecture, the proposed land uses for hotel and resort development of the master area, namely 99 Fun, 2 Hoka, No. 693 Nishihara, Nikadori, Hirara, Miyakojima City, where the property situated in, was permitted.

7. Pursuant to the prevailing Miyakojima City Quasi-city Planning Area Plan issued by the Government of Miyakojima City, the property falls within "Central Area", which is subject to the maximum plot ratio and maximum site coverage of 2.0 and 60% respectively.

8. Pursuant to an Agreement for Sale and Purchase of Land in relation to Lot No. 785-3, dated 29 October 2018 and entered between the Governor of Miyakojima City as the vendor and Miyakojima Sunayama Resort Corporation Limited as the purchaser, the vendor can repurchase Lot No. 785-3 by returning the purchase consideration and administration costs within a period of 5 years from the date of agreement if the buyer violates relevant conditions under the agreement.

9. As advised by information provided by the Group, MSRD is jointly owned by the vendors, LET Group Holdings Limited and Joyful Award Limited, on the basis of 51% and 49% equity interests respectively.

10. The general description and market information of the property are summarized below:

| | | |
|---|---|---|
| Location | : | The property is located in Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan. |
| Transportation | : | Miyako Airport and Hirara Port are located approximately 8.6 kilometres and 3.0 kilometres away from the property respectively. |
| Nature of Surrounding Area | : | The area is predominately a rural area with few low to medium-rise residential and commercial buildings in Hirara. |

11. In the course of our valuation of the property, we have considered and analysed the land sales in the vicinity. A total of five land sale comparables for accommodation use situated in Miyakojima Island and dated within one year from the Valuation Date are selected on an exhaustive basis. These land sale comparables are adopted as they are considered relevant to the property in terms of location, time and land use. The unit rates of the adopted comparables are ranging from JPY20,909 to JPY29,644 per sq.m. on the basis of maximum permissible GFA.

The following table shows the details of five land sale comparables and the adopted adjustments:

| | **Comparable 1** | **Comparable 2** | **Comparable 3** | **Comparable 4** | **Comparable 5** |
|---|---|---|---|---|---|
| **Lot No.** | **355-1 Hoka 4 Hitsu** | **1420-6** | **A single lot situated at Tomori** | **490-2, 490-5, 490-13, 464-1, 464-5, 464-8** | **29-1** |
| City | Miyakojima | Miyakojima | Miyakojima | Miyakojima | Miyakojima |
| Prefecture | Okinawa | Okinawa | Okinawa | Okinawa | Okinawa |
| Location | Close to City Centre | Close to City Centre & Airport | Close to City Centre | Close to City Centre | Relatively Remote Area |
| Tenure | Freehold | Freehold | Freehold | Freehold | Freehold |
| Date | Mar 2023 | Mar 2023 | Mar 2023 | Dec 2022 | Aug 2022 |
| Site Area (sq.m.) | 1,928 | 1,007 | 9,087 | 1,252 | 1,361 |
| Maximum Plot Ratio | 1 | 2 | 2 | 1 | 2 |
| Maximum GFA (sq.m.) | 1,928 | 2,014 | 18,174 | 1,252 | 2,722 |
| Land Use (Accommodation Use) | Yes | Yes | Yes | Yes | Yes |
| Configuration | Flatter | Steeper | Steeper | Similar to the property | Flatter |
| View | Forest View | Forest View | Sea View | Forest View | Forest View |

| | **Comparable 1** | **Comparable 2** | **Comparable 3** | **Comparable 4** | **Comparable 5** |
|---|---|---|---|---|---|
| Sale Price (JPY) | 50,000,000 | 45,700,000 | 380,000,000 | 37,110,000 | 69,870,000 |
| **Unit Price (JPY/sq.m.)** | **25,934** | **22,691** | **20,909** | **29,644** | **25,669** |
| **Adjustment** | | | | | |
| Time | 0.0% | 0.0% | 0.0% | +2.0% | +2.0% |
| Location | -10.0% | -15.0% | -10.0% | -10.0% | -5.0% |
| Size | -1.8% | -1.8% | -1.7% | -1.8% | -1.8% |
| Configuration | -10.0% | +10.0% | +10.0% | 0.0% | -10.0% |
| View | +5.0% | +5.0% | 0.0% | +5.0% | +5.0% |
| **Adjusted Unit Rate (JPY/sq.m.)** | **21,664** | **21,877** | **20,356** | **28,062** | **23,084** |

Adjustments of the relevant comparables have been made in terms of time, location, size, configuration and view to adjust the difference between the property and the adopted comparables.

In terms of time adjustment, the differences in market sentiments between the Valuation Date and the dates of the adopted comparables have been adjusted by making reference to the Property Price Index of Kyushu-Okinawa Region published by the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The dates of Comparables 4 and 5 have recorded lower indices compared to that as of the Valuation Date and thus their unit prices have been adjusted upward.

In terms of location adjustment, the difference in proximities to the city centre and major infrastructure including airport between the subject location and the comparables' locations have been adjusted. The adopted comparables are considered as superior to the property in terms of location since the comparables are located in closer proximities to the city centre or the airport, hence downward adjustments ranging from 5% to 15% have been made to the comparables.

In terms of size adjustment, it is based on the principle that a property transaction with a smaller size will be subject to a higher unit price and thus we have made the size adjustment by referring to the differences in site areas between the property and the comparables. The adopted comparables are of smaller site areas than the property and downward adjustments based on the ratio of 1% per 60,000 sq.m. variance in site area have been made to the comparables. The adjustment quantum is based on our market observation and is in line with the market norm.

In terms of configuration adjustment, the physical features of the adopted comparables have been considered. Comparables 1 and 5 with flatter grounds are considered as superior to the property in terms of configuration and thus they have been adjusted downward by 10%. Comparables 2 and 3 with steeper grounds are considered as inferior to the property in terms of configuration and thus they have been adjusted upward by 10%.

In terms of view adjustment, the property is a site with sea view and upward adjustments have been made to those comparables subject to less prestige views. Comparables 1, 2, 4 and 5 are subject to forest views and they have been adjusted upward by 5% in terms of view.

After making different adjustments, the adjusted unit rates of the adopted comparables are ranging from JPY20,356 to JPY28,062 per sq.m. on the basis of maximum permissible GFA as shown in the table above. The five adjusted unit rates are assigned with the same weight and represent a weighted average of JPY23,009 per sq.m. on the basis of maximum permissible GFA. The weighted average unit rate is then multiplied by the maximum permissible GFA of 217,598 sq.m. to derive a result of circa JPY5,007,000,000 upon rounding.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the SA Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Summit Ascent. The SA Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

**SA Directors' and chief executive's interests in Summit Ascent or its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the SA Directors or chief executive of Summit Ascent had any interests or short positions in the SA Shares, underlying SA Shares or debentures of Summit Ascent or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to Summit Ascent and the Stock Exchange pursuant to (i) Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the SA Directors or chief executive of Summit Ascent were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to Summit Ascent and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, were as follows:

***(i) Long positions in the SA Shares and/or the underlying SA Shares***

*(a) Ordinary SA Shares*

| Name of SA Director | Capacity/nature of interest | Number of SA Shares held | Approximate percentage of the total issued SA Shares *(Note 1)* |
|---|---|---|---|
| Mr. Lo | Interest of controlled corporations | 3,146,533,811 *(Note 2)* | 69.77% |
| Mr. Li Chak Hung | Beneficial owner | 400,000 | 0.00% |

*(b) Share options granted by Summit Ascent*

| Name of SA Director | Capacity/nature of interest | Number of underlying SA Shares held pursuant to share options *(Note 3)* | Approximate percentage of the total issued SA Shares *(Note 1)* |
|---|---|---|---|
| Mr. Lau Yau Cheung | Beneficial owner | 937,500 | 0.02% |
| Mr. Li Chak Hung | Beneficial owner | 937,500 | 0.02% |

*Notes:*

1. The percentage has been calculated based on the total number of SA Shares in issue as at the Latest Practicable Date (i.e. 4,509,444,590 Shares).

2. LET, the listed holding company of Summit Ascent, is the beneficial owner of 123,255,000 SA Shares and is also interested in 3,018,306,811 SA Shares through its wholly-owned subsidiary, Victor Sky. As at the Latest Practicable Date, LET was majority controlled by Major Success Group Limited ("**Major Success**"), which is wholly-owned by Mr. Lo. In addition, Better Linkage Limited ("**Better Linkage**"), a company wholly-owned by Mr. Lo, is the beneficial owner of 520,000 SA Shares and is also interested in 4,452,000 SA Shares through its wholly-owned subsidiary Ever Smart Capital Limited ("**Ever Smart**"). By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 SA Shares held by LET, Victor Sky, Better Linkage and Ever Smart collectively.

3. All the underlying SA Shares are share options granted to the SA Directors by Summit Ascent on 13 December 2018 under the share options scheme of Summit Ascent at the exercise price of HK$1.050 per Share and are registered under the name of the SA Directors who are also beneficial owners.

***(ii) Long positions in the shares and underlying shares of associated corporation of Summit Ascent***

*(a) Ordinary LET Shares*

| Name of SA Director | Capacity/nature of Interest | Number of LET Shares held | Approximate percentage of total issued LET Shares *(Note 1)* |
|---|---|---|---|
| Mr. Lo | Interest of controlled corporations | 4,999,694,857 *(Note 2)* | 72.07% |
| Mr. Chiu King Yan | Beneficial owner | 80,000 | 0.00% |

*(b) Share options granted by LET*

| **Name of SA Director** | **Capacity/nature of Interest** | **Number of underlying LET Shares held pursuant to share options of LET** | **Approximate percentage of total issued LET Shares** *(Note 1)* |
|---|---|---|---|
| Mr. Lo | Beneficial owner | 40,000,000 *(Note 3)* | 0.58% |
| Mr. Chiu King Yan | Beneficial owner | 6,000,000 *(Note 4)* | 0.09% |

*Notes:*

1. The percentage has been calculated based on the total number of LET Shares in issue as at the Latest Practicable Date (i.e. 6,936,972,746 LET Shares).

2. LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in 4,999,694,857 of LET Shares owned by Major Success.

3. All the underlying LET Shares are share options of LET granted to Mr. Lo by LET on 4 September 2017 under the share options scheme of LET at the exercise price of HK$0.455 per share are divided into 3 tranches: 8,000,000 share options are exercisable from 4 September 2017, 12,000,000 share options are exercisable from 4 September 2018 and the remaining 20,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for LET Shares.

4. All the underlying LET Shares are share options of LET granted to Mr. Chiu King Yan by LET on 4 September 2017 under the share options scheme of LET at the exercise price of HK$0.455 per share are divided into 3 tranches: 1,200,000 share options are exercisable from 4 September 2017, 1,800,000 share options are exercisable from 4 September 2018 and the remaining 3,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for LET Shares.

*(iii) Interests of substantial SA Shareholders*

As at the Latest Practicable Date, so far as was known to the SA Directors, the following persons (other than the SA Directors or chief executive of Summit Ascent) had an interest or short position in the SA Shares and underlying SA Shares which would fall to be disclosed to Summit Ascent under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by Summit Ascent pursuant to section 336 of the SFO:

*Long positions in the SA Shares and/or the underlying SA Shares*

| Name of substantial SA Shareholder | Capacity/nature of interest | Number of SA Shares held | Approximate percentage of the total issued SA Shares *(Note 1)* |
|---|---|---|---|
| LET | Beneficial owner | 123,255,000 | 2.73% |
| | Interest of controlled corporations *(Note 2)* | 3,018,306,811 | 66.93% |
| | | 3,141,561,811 | 69.66% |
| Victor Sky | Beneficial owner *(Note 2)* | 3,018,306,811 | 66.93% |
| Major Success | Interest of controlled corporations *(Note 2)* | 3,141,561,811 | 69.66% |
| Allied Group Limited | Security interest of controlled corporations *(Note 3)* | 3,141,561,811 | 69.66% |
| Lee Seng Huang | Security interest of controlled corporations *(Note 3)* | 3,141,561,811 | 69.66% |
| Lee Su Hwei | Security interest of controlled corporations *(Note 3)* | 3,141,561,811 | 69.66% |

| Name of substantial SA Shareholder | Capacity/nature of interest | Number of SA Shares held | Approximate percentage of the total issued SA Shares *(Note 1)* |
|---|---|---|---|
| Lee Seng Hui | Security interest of controlled corporations *(Note 3)* | 3,141,561,811 | 69.66% |

*Notes:*

1. The percentage has been calculated based on the total number of SA Shares in issue as at the Latest Practicable Date (i.e. 4,509,444,590 Shares).

2. LET, the listed holding company of Summit Ascent, is the beneficial owner of 123,255,000 SA Shares and is also interested in 3,018,306,811 SA Shares through its wholly-owned subsidiary, Victor Sky. As at the Latest Practicable Date, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. In addition, Better Linkage, a company wholly-owned by Mr. Lo, is the beneficial owner of 520,000 SA Shares and is also interested in 4,452,000 SA Shares through its wholly-owned subsidiary Ever Smart. By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 SA Shares held by LET, Victor Sky, Better Linkage and Ever Smart collectively.

3. As at the Latest Practicable Date, LET and Victor Sky pledged 123,255,000 and 3,018,306,811 SA Shares respectively in favour of Long Set Investments Limited as a security of a loan facility provided to LET. Long Set Investments Limited is a controlled corporation of Allied Group Limited. Allied Group Limited is a controlled corporation of Lee Seng Hui, Lee Seng Huang and Lee Su Hwei.

## 3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the SA Directors were aware, none of the SA Directors nor any of their close associates had interest in any business apart from the SA Group's business which competed or would likely to compete, either directly or indirectly, with the businesses of the SA Group.

## 4. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualifications of the expert who has given its opinions or advice or statements as contained in this circular:

| Name | Qualifications |
|---|---|
| Astrum | a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities |
| Crowe (HK) CPA Limited | Certified public accountants |
| Vincorn Consulting and Appraisal Limited | Independent professional valuer |

(a) As at the Latest Practicable Date, the above expert had no shareholding in Summit Ascent or any other member of the SA Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Summit Ascent or any other member of the SA Group.

(b) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the SA Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of Summit Ascent were made up) or proposed to be so acquired, disposed of or leased to any member of the SA Group.

(c) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear

## 5. SA DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the SA Directors had entered into any existing or proposed service contract with any member of the SA Group which was not determinable by the relevant member of the SA Group within one year without payment of compensation (other than statutory compensation).

## 6. SA DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any SA Director was materially interested and which was significant in relation to the business of the SA Group. As at the Latest Practicable Date, none of the SA Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the SA Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the SA Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the SA Group within the two years immediately preceding the date of this circular and are, or may be, material:

(1) the conditional subscription agreement dated 20 September 2021 entered into between Suntrust as issuer and Summit Ascent Investments Limited as subscriber of the 6% coupon rate convertible bonds ("**2022 CB**") in the aggregate principal amount of up to PHP6.4 billion (equivalent to approximately HK$913.0 million);

(2) a set-off deed dated 10 June 2022 entered into between Summit Ascent Investments Limited and Suntrust in relation to the set-off of approximately US$120,900,000 owing by Suntrust to Summit Ascent Investments Limited against the US$ equivalent of the aggregate subscription amount of the 2022 CB in the amount of approximately US$120,900,000;

(3) the Revolving Loan Agreement dated 27 January 2023 entered into between LET as borrower and Summit Ascent as lender pursuant to which Summit Ascent conditionally agreed to grant the Revolving Loan in the principal amount up to HK$500,000,000 to LET that was subsequently terminated pursuant to the Termination Deed dated 10 May 2023 entered into between LET and Summit Ascent;

(4) the Sale and Purchase Agreements; and

(5) an omnibus loan and security agreement dated 8 June 2023 in relation to the grant of a term loan in the principal amount of up to PHP 25.0 billion by China Banking Corporation to Suntrust as borrower entered into by, among other parties, China Banking Corporation, Suntrust as borrower, Mr. Lo as surety and Summit Ascent Investments Limited as one of the security providers.

## 8. LITIGATION

As at the Latest Practicable Date, no member of the SA Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the SA Directors to be pending or threatened against any member of the SA Group.

## 9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and Summit Ascent (https://www.saholdings.com.hk) from the date of this circular up to and including 14 days (except public holidays):

(a) the memorandum of association and the bye-laws of Summit Ascent;

(b) the Sale and Purchase Agreement A;

(c) the Sale and Purchase Agreement B;

(d) the letter from the Independent SA Board Committee, the text of which is set out on page 27 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 58 of this circular;

(f) the annual reports of Summit Ascent for the years ended 31 December 2020, 2021 and 2022;

(g) the accountant's report on the historical information of Target Company A, the text of which is set out in Appendix II-A to this circular;

(h) the accountant's report on the historical information of Target Company B, the text of which is set out in Appendix II-B to this circular;

(i) the report on the compilation of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(j) the Valuation Report prepared by Vincorn Consulting and Appraisal Limited for the appraisal of the fair value of the Land Parcel as at 30 April 2023, the text of which is set out in Appendix V to this circular; and

(k) the written consents referred to in the paragraph 4 of this Appendix; and

(l) this circular.

**10. MISCELLANEOUS**

(a) The company secretary of Summit Ascent is Ms. Mok Ming Wai, who is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(b) The registered office of Summit Ascent is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

(c) The head office and principal place of business of Summit Ascent in Hong Kong is at Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

(d) The principal share registrar of Summit Ascent is MUFG Fund Services (Bermuda) Limited, 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

(e) The branch share registrar and transfer office of Summit Ascent in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over its Chinese text.

凱升控股有限公司 SUMMIT ASCENT Holdings Limited

# SUMMIT ASCENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 102)**

**NOTICE IS HEREBY GIVEN** that a special general meeting ("**SGM**") of Summit Ascent Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") will be held at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 14 July 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 28 June 2023 (the "**Circular**")):

## ORDINARY RESOLUTIONS

1. **"THAT**

(a) the acquisition (the "**SA Acquisitions**") of Modest Achieve Limited ("**Target Company A**") and Joyful Award Limited ("**Target Company B**") pursuant to the conditional sale and purchase agreement (the "**Sale and Purchase Agreement A**") dated 18 May 2023 pursuant to which amongst other things, LET Group Holdings Limited ("**LET**") (as seller) conditionally agreed to sell, and the Company (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company A and the outstanding non-interest bearing liabilities owed by Target Company A to the LET as at completion date of the Sale and Purchase Agreement A and the conditional sale and purchase agreement (the "**Sale and Purchase Agreement B**", together with the Sale and Purchase Agreement A, the "**Sale and Purchase Agreements**") dated 18 May 2023 pursuant to which amongst other things, Solid Impact Limited (as seller) the ("**Independent Vendor**") conditionally agreed to sell, and the Company (as buyer) conditionally agreed to acquire, the entire issued share capital of Target Company B and the outstanding non-interest bearing liabilities owed by Target Company B to the Independent Vendor as at completion date of the Sale and Purchase Agreement B respectively and the transactions contemplated respectively thereby and the entering into of the Sale and Purchase Agreements (copies of Sale and Purchase Agreement A and Sale and Purchase Agreement B having been produced to the SGM, being marked "A" and "B" respectively and initialed by the chairman of the SGM, for the purpose of identification) insofar as relation to the SA Acquisitions be and are hereby authorised and approved; and

(b) the directors of the Company (the "**SA Directors**") be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary and desirable or expedient to carry out and implement the SA Acquisitions into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the SA Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Sale and Purchase Agreements insofar as relating to the SA Acquisitions."

2. “**THAT**

the utilisation of part of the net proceeds of approximately HK$186.4 million from the rights issue of the Company on the basis of three (3) rights shares for every two (2) shares of the Company completed on 15 October 2020 at the subscription price of HK$0.6 per rights share as disclosed in the circular of the Company dated 14 August 2020 and the prospectus of the Company dated 18 September 2020 and approximately HK$292.9 million from the placing of new shares of the Company under general mandate of the Company completed on 19 August 2019 to the following: (i) as to HK$280.0 million for the settlement of the total consideration under the Sale and Purchase Agreements; (ii) as to HK$125.0 million for designing, planning and funding in part the future development of the property comprising 28 adjoining land parcels located in Nishihara, Aza Nikadori, Hirara, Miyakojima City, Okinawa Prefecture, Japan with a total site area of approximately 108,799 square meters wholly-owned by MSRD Corporation Limited; and (iii) the remaining of approximately HK$74.3 million for general working capital or potential investment opportunities of the Group be and are hereby authorised and approved.”

By order of the SA Board
**Summit Ascent Holdings Limited**
**Lo Kai Bong**
*Chairman*

Hong Kong, 28 June 2023

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business in Hong Kong:*
Unit 1704, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

*Notes:*

(1) Any member entitled to attend and vote at the SGM is entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited with the share registrars of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be).

(4) The register of members of the Company will be closed from Tuesday, 11 July 2023 to Friday, 14 July 2023 (both days inclusive) to determine the entitlement to attend and vote at the SGM. During such period, no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 10 July 2023 for registration.