

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MEXAN LIMITED

茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

**VERY SUBSTANTIAL DISPOSAL;
VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION;
AND
PROPOSED DECLARATION OF
VSD SPECIAL DIVIDEND AND VSA SPECIAL DIVIDEND**

Financial adviser to the Company

ALTUS CAPITAL LIMITED

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



红日资本有限公司
RED SUN CAPITAL LIMITED

THE VSD SALE AND PURCHASE AGREEMENT

On February 7, 2025 (after trading hours), the VSD Vendor and the VSD Purchaser entered into the VSD Sale and Purchase Agreement, pursuant to which the VSD Vendor conditionally agreed to sell, and the VSD Purchaser conditionally agreed to purchase, the VSD Properties at the consideration of the VSD Consideration.

THE VSA SALE AND PURCHASE AGREEMENT

On February 7, 2025 (after trading hours), the VSA Vendor and the VSA Purchaser entered into the VSA Sale and Purchase Agreement, pursuant to which the VSA Vendor conditionally agreed to sell, and the VSA Purchaser conditionally agreed to purchase, the VSA Sale Shares at the VSA Consideration.

* For identification purposes only

PROPOSED DECLARATION OF VSD SPECIAL DIVIDEND AND PROPOSED DECLARATION OF VSA SPECIAL DIVIDEND

Subject to the approval of the Shareholders at the SGM and the VSD Completion, the Board intends to declare VSD Special Dividend of HK\$0.06 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Subject to the approval of the Shareholders at the SGM and the VSA Completion, the Board intends to declare VSA Special Dividend of HK\$0.06 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Further announcement(s) will be made by the Company in this regard as and when appropriate.

LISTING RULES IMPLICATIONS

The VSD constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

The VSA constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules. The VSA also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The VSA is therefore subject to the reporting, announcement, circular and VSA Independent Shareholders' approval requirements. As Mr. Lun is considered to have material interests in the VSA, he and his associates shall be required to abstain from voting on the resolution of the Company in approving the VSA Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

As the VSD Completion is subject to the satisfaction and/or waiver (as applicable) of the VSD Conditions Precedent and the VSA Completion is subject to the satisfaction and/or waiver (as applicable) of the VSA Conditions Precedent, the VSD and/or VSA may or may not proceed to completion. The VSD Completion is not conditional on the VSA Completion but the VSA Completion is conditional on the VSD Completion. Since VSD Special Dividend is subject to the VSD Completion and VSA Special Dividend is subject to the VSA Completion, they may or may not be declared. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

1. INTRODUCTION

The Board is pleased to announce that on February 7, 2025 (after trading hours):

- (a) the VSD Vendor and the VSD Purchaser entered into the VSD Sale and Purchase Agreement, pursuant to which the VSD Vendor conditionally agreed to sell, and the VSD Purchaser conditionally agreed to purchase, the VSD Properties at the VSD Consideration; and
- (b) the VSA Vendor and the VSA Purchaser entered into the VSA Sale and Purchase Agreement, pursuant to which the VSA Vendor conditionally agreed to sell, and the VSA Purchaser conditionally agreed to purchase, the VSA Sale Shares at the VSA Consideration.

2. THE VSD SALE AND PURCHASE AGREEMENT

The principal terms of the VSD Sale and Purchase Agreement are set forth below.

Date

February 7, 2025 (after trading hours)

Parties

- (a) The VSD Vendor; and
- (b) the VSD Purchaser (an independent third party)

Assets to be disposed of

The VSD Properties

VSD Consideration and Payment Terms

The VSD Consideration is HK\$765,000,000 which shall be payable by the VSD Purchaser to the VSD Vendor in the following manner:

- (a) HK\$76,500,000 shall be paid as deposit and in part payment of the VSD Consideration within ten (10) business days after signing of the VSD Sale and Purchase Agreement; and
- (b) the remaining HK\$688,500,000 shall be paid on VSD Completion Date.

The deposit payable by the VSD Purchaser shall be paid to the VSD Vendor's solicitors as stakeholders until the VSD Completion.

The Board considers that the VSD Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole as the VSD Consideration was arrived at after arm's length negotiations between the VSD Purchaser and the VSD Vendor on normal commercial terms with reference to the preliminary appraised value of the Hotel of HK\$765,000,000 as at November 30, 2024 determined by the VSD Valuer, CBRE Advisory Hong Kong Limited, an independent property valuer. Taking into account (i) the unaudited carrying amount of the Hotel of HK\$352,084,000 as at November 30, 2024; and (ii) the valuation of the Hotel of HK\$765,000,000 as appraised by the VSD Valuer and all relevant transaction expenses, it is expected that the Group will realize a gain on the VSD of approximately HK\$400 million.

VSD Conditions Precedent

The VSD Completion is conditional upon the satisfaction and/or waiver (as applicable) of the following conditions precedent on or before the VSD Completion Date, the VSD Extended Completion Date or the VSD Long Stop Date (as the case may be):

- (a) the VSD Vendor having proved and given title to the Hotel in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219) and having made and furnished to the VSD Purchaser such originals or certified copies (as the case may be) of any deeds or documents of title, declarations, wills and matters of public record as may be necessary to prove such titles subject to the provisions contained in the government lease under which the Hotel is held from the government and subject to the payment of government rent, premium and the performance and observance of the provisions of the government lessees covenants and conditions payable and to be performed and to be observed in respect of the same and subject to any matter appearing in the VSD Sale and Purchase Agreement but otherwise free from all encumbrances;
- (b) the VSD Purchaser having completed and is satisfied with the results of the legal, regulatory, tax, financial, technical, operational, tenancies and building due diligence conducted in respect of the Hotel;
- (c) the VSD Vendor having entered into the sale and purchase agreement for the transfer of the entire shareholding of NewCo and completed the transfer of the existing hotel license which shall be valid until March 4, 2026 in respect of the Hotel to NewCo; and
- (d) the Company having convened a special general meeting for the purpose of approving the transaction under the VSD Sale and Purchase Agreement, the controlling shareholder of the Company who undertook to the VSD Purchaser to vote in favour of the transaction under the VSD Sale and Purchase Agreement having voted in favour of such transaction, and the Shareholders having approved the VSD Vendor's entering into of the VSD Sale and Purchase Agreement and the transactions contemplated thereby as required under Chapter 14 of the Listing Rules.

Conditions precedent (a) to (c) above may be waived by the VSD Purchaser. Condition precedent (d) above cannot be waived.

As at the date of this announcement, none of the conditions have been waived or satisfied.

In connection with the VSD Sale and Purchase Agreement, Winland Wealth (BVI) Limited, being the controlling shareholder of the Company, has entered into a deed of irrevocable undertakings in favour of the VSD Purchaser to cast, or where applicable, procure the casting of, all votes in relation to the 1,358,055,354 Shares (representing approximately 69.06% of the Shares as of the date of this announcement) it held in favour of the relevant resolution at the SGM in connection with the VSD Sale and Purchase Agreement and the transactions contemplated thereby and against all changes or amendments to such resolution.

VSD Completion

VSD Completion shall take place at or before 5:00 p.m. (Hong Kong time) on or before April 2, 2025 when the remaining amount of the VSD Consideration in the sum of HK\$688,500,000 is fully paid by the VSD Purchaser, provided that all VSD Conditions Precedent have been satisfied (or waived by the VSD Purchaser, as applicable) on or before the VSD Completion Date.

If any of the VSD Conditions Precedent has not been duly fulfilled (or waived) on or before the VSD Completion Date, either party to the VSD Sale and Purchase Agreement shall have the right by giving to the other party not less than three (3) business days' notice in writing to postpone the VSD Completion to a date not later than the VSD Extended Completion Date, being July 31, 2025.

If any of the VSD Conditions Precedent has not been duly fulfilled (or waived) on or before the VSD Extended Completion Date, the VSD Purchaser shall have the right by giving to the VSD Vendor notice to:

- (a) waive VSD Conditions Precedent (a) to (c) which have not been satisfied;
- (b) postpone the VSD Completion up to the VSD Long Stop Date (being October 2, 2025) until all of the VSD Conditions Precedent shall have been satisfied (or waived) provided always that the VSD Purchaser shall be entitled to exercise the right under paragraph (c) below to cancel the transaction under the VSD Sale and Purchase Agreement during and upon the expiration of such extension period; or
- (c) cancel the transaction under the VSD Sale and Purchase Agreement whereupon the VSD Vendor shall return all the deposit (without interest) previously paid by the VSD Purchaser to the VSD Vendor under the VSD Sale and Purchase Agreement to the VSD Purchaser forthwith.

In the event that the VSD Completion is postponed to (i) the VSD Extended Completion Date; or (ii) the VSD Long Stop Date, VSD Completion shall take place on the tenth (10th) business day after (and exclusive of) the date on which the VSD Vendor notifies the VSD Purchaser in writing that all the VSD Conditions Precedent (which have not been waived) have been duly fulfilled.

In the event that the VSD Completion is postponed to the VSD Long Stop Date and any of the VSD Conditions Precedent is not satisfied (if not otherwise waived by the VSD Purchaser, as applicable), VSD Completion will not take place and the VSD Purchaser may cancel the transaction under the VSD Sale and Purchase Agreement.

Other Material Terms

Undertaking on Hotel License

The VSD Vendor has undertaken to submit (and has submitted) an application for renewal of hotel licence in respect of the Hotel (which will expire on March 5, 2025) for one year before its expiry according to the applicable regulations and to arrange transfer of the existing hotel licence in respect of the Hotel to NewCo on or before the VSD Completion Date. The VSD Purchaser shall purchase the entire shareholding of NewCo (with the hotel licence and the insurance policies relevant to the hotel licence being its only assets and free from any liability) at nominal value of HK\$1. The VSD Vendor and the VSD Purchaser shall enter into an agreement for the transfer of the entire shareholding of NewCo within one month from the date of the VSD Sale and Purchase Agreement. Completion of the transfer of the entire shareholding of NewCo shall take place simultaneously with the VSD Completion.

The completion of the transfer of the entire shareholding of NewCo shall take place after the transfer of the existing hotel licence in respect of the Hotel to NewCo. In case that the VSD Vendor is not in a position to complete the transfer of the entire shareholding of NewCo by reason of any delay in the transfer of the existing hotel licence to the NewCo, and unless VSD Condition Precedent (c) under the sub-section headed “VSD Conditions Precedent” above is waived by the VSD Purchaser, the VSD Vendor has the right to postpone the VSD Completion to a date not later than the VSD Extended Completion Date (being July 31, 2025) so that the VSD Completion shall still take place simultaneously with completion of the transfer of the entire shareholding of NewCo following the transfer of the existing hotel licence in respect of the Hotel to NewCo.

Further to the scenario above and in case that the VSD Vendor is not in a position to complete the transfer of the entire shareholding of NewCo by reason of any delay in the transfer of the existing hotel licence by the VSD Extended Completion Date, the VSD Purchaser has the right to (i) waive the VSD Condition Precedent (c) under the sub-section headed “VSD Conditions Precedent” above and the parties may proceed to the VSD Completion upon satisfaction and/or waiver of all other VSD Conditions Precedent; (ii) further postpone the VSD Completion Date to a date no later than the VSD Long Stop Date (being October 2, 2025) so that the VSD Completion and the completion of the transfer of the entire shareholding of NewCo shall still take place simultaneously following the transfer of the existing hotel licence in respect of the Hotel to NewCo;

or (iii) to cancel the transaction under the VSD Sale and Purchase Agreement. In the event that the VSD Purchaser further postpones the VSD Completion Date to a date no later than the VSD Long Stop Date (being October 2, 2025), and the completion of the transfer of the entire shareholding of NewCo does not take place by reason of any delay in the transfer of the existing hotel licence (or any other VSD Conditions Precedent have not been satisfied or waived) by the VSD Long Stop Date, VSD Completion will not take place and the VSD Purchaser may cancel the transaction under the VSD Sale and Purchase Agreement. Upon termination of the VSD Sale and Purchase Agreement (whether or not due to non-fulfillment of VSD Conditions Precedent or pursuant to (iii) above or otherwise), the agreement for the transfer of the entire shareholding of NewCo will also be null and void.

“As-is” Basis

The VSD Purchaser declared that it has inspected the VSD Properties. Each of the VSD Properties is and will be sold on an “as is” basis.

Vacant Possession

Vacant possession of the VSD Properties (including all the fitting, finishes, appliances, electrical and mechanical installations, plants and equipment in the Hotel in the same condition as at the dates of the VSD Purchaser’s inspection of the VSD Properties prior to the date of the VSD Sale and Purchase Agreement) shall be delivered to the VSD Purchaser on VSD Completion.

Legal Charge

The Hotel is subject to certain legal charges/mortgages and assignments of earnings as set out in the VSD Sale and Purchase Agreement. The VSD Vendor has undertaken to redeem such legal charges/mortgages and assignments of earnings at its own cost on or before the VSD Completion and shall provide the original release duly executed by the mortgagee dated no later than the VSD Completion Date within 21 days after the VSD Completion.

Stamp Duty

All stamp duties and land registration fees payable on the VSD Sale and Purchase Agreement and the subsequent assignment shall be paid by the VSD Purchaser. Provided that in the event of the consideration stated in the VSD Sale and Purchase Agreement and the assignment being not accepted by the Collector of Stamp Duty as representing the true value of the Hotel, any additional stamp duty charged by the Collector of Stamp Duty in accordance with the valuation of the Hotel shall be borne by the VSD Purchaser absolutely. If any party fails to complete the VSD pursuant to the terms of the VSD Sale and Purchase Agreement, the party in default shall be responsible to pay all the stamp duty levied by the Collector of Stamp Duty in respect of the VSD.

Termination

The VSD Sale and Purchase Agreement may be terminated at the election of the VSD Vendor by giving notice of termination to the VSD Purchaser, if the VSD Purchaser fails to complete the VSD in accordance with the terms and conditions of the VSD Sale and Purchase Agreement (other than by reason of the default of the VSD Vendor) and shall be entitled to forfeit the deposit previously paid by the VSD Purchaser under the VSD Sale and Purchase Agreement.

The VSD Sale and Purchase Agreement will be terminated if the VSD Vendor fails to complete the VSD in accordance with the terms and conditions of the VSD Sale and Purchase Agreement and the VSD Purchaser shall be entitled to recover all moneys paid by the VSD Purchaser under the VSD Sale and Purchase Agreement to the VSD Vendor and also damages which the VSD Purchaser may sustain by reason of the failure on the part of the VSD Vendor. Particularly, in the event that any of the VSD Conditions Precedent (c) and (d) set forth in the sub-section headed “VSD Conditions Precedent” of this announcement has not been fulfilled and/or waived (as applicable) on or before the VSD Extended Completion Date, it will be deemed as a breach of the VSD Sale and Purchase Agreement on the part of the VSD Vendor (a “**Deemed Breach**”), and the VSD Vendor shall indemnify and pay to the VSD Purchaser all reasonable legal and professional costs and consultancy fees expended or incurred by the VSD Purchaser for the purchase of the VSD Properties in the aggregate amount of HK\$10,000,000 whether before or after the signing of the VSD Sale and Purchase Agreement unless it is proven that the non-fulfilment is due to the failure to convene a special shareholders’ meeting of the Company for the purpose of obtaining the necessary shareholders’ approval notwithstanding that the Company has used all its best endeavors to comply with all requirements under the Listing Rules and/or by the Stock Exchange, provided that such sum shall be reduced by an equivalent amount that the Company has paid to the VSD Purchaser pursuant to its irrevocable undertaking to the VSD Purchaser as set forth in the sub section headed “Irrevocable undertaking by the Company” of this announcement below.

Irrevocable undertaking by the Company

In connection with the VSD Sale and Purchase Agreement, the Company has entered into a deed of irrevocable undertakings in favour of the VSD Purchaser to (i) duly convene and hold the SGM in accordance with the Company’s bye-laws for the Shareholders to consider and approve, inter alia, the VSD Sale and Purchase Agreement and the transactions contemplated thereby; and (ii) use all best endeavours (so far as it lies within the Company’s powers) to take all necessary steps and to act in good faith to procure the satisfaction of the VSD Conditions Precedent as soon as practicable, amongst others.

If the VSD Completion does not take place as a result of the Company’s breach of any of its undertakings under the above-mentioned deed of irrevocable undertakings, the Company shall pay to the Purchaser a sum of HK\$10,000,000, as an estimate of the VSD Purchaser’s losses as a result of any such breach, provided that such sum shall be reduced by an equivalent amount that the VSD Vendor has paid pursuant to the VSD Sale and Purchase Agreement as set forth in the sub section headed “Termination” of this announcement above.

Without prejudice to the foregoing, if the VSD Vendor shall default in the performance or observance of any of the terms and conditions on its part contained in the VSD Sale and Purchase Agreement (not being a Deemed Breach), the Company will jointly and severally be liable with the VSD Vendor to compensate the VSD Purchaser, provided that the maximum amount of the compensation which may be payable by the Company shall be not more than HK\$20,000,000.

3. INFORMATION ON THE VSD PROPERTIES IN RELATION TO THE VSD SALE AND PURCHASE AGREEMENT

The VSD Properties

The VSD Properties comprise the Hotel and the Furniture therein. The Group had commenced operating the Hotel since 2007. It is located at the southern waterfront of Rambler Crest in Tsing Yi, which is close to major tourist attractions in Hong Kong (including AsiaWorld-Expo and Hong Kong Disneyland).

The Hotel offers 800 rooms. The average room occupancy rate of the Hotel for the year ended March 31, 2024 was 98.0% (for the year ended March 31, 2023: 65.8%) and the average room rate of the Hotel for the year ended March 31, 2024 was HK\$246 (for the year ended March 31, 2023: HK\$206).

Financial information attributable to the Hotel operation

Set out below is a summary of the financial information attributable to the Hotel operation of the Group for years ended March 31, 2023 and 2024, respectively:

	For the year ended March 31	
	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Approximate</i>	<i>Approximate</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	44,702	74,443
Loss before taxation	17,034	10,736
Loss after taxation	17,034	10,736

As at November 30, 2024, the unaudited carrying amount of the Hotel was approximately HK\$352,084,000.

The VSD Valuation

The VSD Valuation has been prepared by the VSD Valuer in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and, where applicable and appropriate, compliant with the RICS Valuation – Global Standards 2022 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards 2022 published by the International Valuation Standards Council. The VSD Valuer has also complied with all the requirements set out in Chapter 5 of the Listing Rules and Practice Note 12 of the Listing Rules.

Valuation basis and methodology

The VSD Valuation has been undertaken on the basis of Market Value, which is defined under the HKIS Valuation Standards 2020 as “the estimated amount for which an asset or liability should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

For the VSD Valuation, the VSD Valuer has adopted the Market Approach. The Market Approach is the most appropriate valuation approach to value the Hotel because the Market Approach is the most widely used method of valuation and is based on comparing the Hotel to be valued directly with other comparable properties which have recently transacted. Given that comparable properties are readily available, the Market Approach has been adopted for the valuation of the Hotel. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the value likely to be achieved by the Hotel. In the course of the VSD Valuation, the VSD Valuer has made appropriate adjustments for relevant factors including time, location, size, building age, and view to the comparables to reflect the differences between the comparables and the Hotel.

Key assumptions of the VSD Valuation

The VSD Valuation was based on the following key assumptions:

- (a) the Hotel has been properly marketed and that exchange of contracts took place on the date of the valuation report;
- (b) all the guestrooms are finished and furnished with the same standard as the units inspected by the VSD Valuer, and the Hotel is without any unauthorized extension or structural alteration;
- (c) no major political or economic disturbance or major “shock” event will occur during the projection period;
- (d) the owner sells the Hotel on the open market without the benefit and burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the Hotel;
- (e) the Hotel is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values (unless otherwise stated);
- (f) the Hotel is freely disposable and transferable for the whole of the unexpired land lease term without any land premium payment (unless otherwise stated); and
- (g) the use of the Hotel complies with the land lease, license, and all other statutory regulations (unless otherwise stated).

Valuation considerations

The VSD Valuer has conducted internal and external inspections of the Hotel on November 21, 2024 to such extent that it considered necessary for the purpose of the VSD Valuation. Although not all areas in the Hotel were accessible for viewing at the time of inspection, the VSD Valuer has endeavoured to inspect all areas of the Hotel.

The VSD Valuer was not instructed to undertake any structural surveys, test the services, or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Hotel. The VSD Valuation has therefore been undertaken on the basis that the Hotel is in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

The VSD Valuer has not undertaken archaeological, ecological, or environmental surveys. The VSD Valuation is on the basis that these aspects are satisfactory that no extraordinary expenses will be incurred due to any archaeological or ecological matter.

The VSD Valuer has obtained the land register records of the Hotel from the Land Registry. However, the VSD Valuer has not inspected the original document to verify ownership or to ascertain the existence of any amendment which may not appear on the copy handed to the VSD Valuer. The VSD Valuer has not perused any original land documentation and has assumed that there is no easement or encumbrance which may affect the value but is not shown in the land register records.

The VSD Valuer has relied to a considerable extent on the information provided by the VSD Vendor and has accepted the advice given to it. No on-site measurement has been taken. Dimension, measurement and area included in the valuation certificate are based on the information provided by the VSD Vendor, or the information contained in or the VSD Valuer's measurement of the plans and documents available to it. The VSD Valuer has no reason to doubt the truth and accuracy of the information provided to it, which may be material to the valuation. All measurements are only approximations.

The VSD Valuer has assumed that the Property is erected within the lot boundary. No site investigation has been carried out to determine the suitability of the subsoil condition, services, etc. for development and the VSD Valuer has assumed that these aspects are satisfactory. The VSD Valuation does not make any allowance for contamination or pollution of land, if any, which may have occurred as a result of past usage.

Independence of the VSD Valuer

The VSD Valuer has confirmed it does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the Hotel.

The valuation report prepared by the VSD Valuer will be included in the circular to be despatched to the Shareholders.

4. THE VSA SALE AND PURCHASE AGREEMENT

The principal terms of the VSA Sale and Purchase Agreement are set forth below.

Date

February 7, 2025 (after trading hours)

Parties

- (a) The VSA Vendor (a connected person); and
- (b) the VSA Purchaser

Asset to be Acquired

The VSA Sale Shares

VSA Consideration and Payment Terms

The VSA Consideration represents the VSA Initial Consideration as adjusted based on the amount of “adjusted net asset” of the VSA Target Company as at the VSA Completion Date to be determined with reference to the audited completion accounts to be prepared in accordance with the terms of the VSA Sale and Purchase Agreement.

The VSA Initial Consideration, which is payable by the VSA Purchaser to the VSA Vendor at the VSA Completion Date, shall be an amount equal to the sum of:

- (a) HK\$364,400,800 (the “**Base Consideration**”); and
- (b) the positive/negative amount of “adjusted net asset” of the VSA Target Company as at the VSA Completion Date to be determined with reference to the pro forma completion accounts to be prepared in accordance with the terms of the VSA Sale and Purchase Agreement.

Following the VSA Completion and within fifteen business days after the parties’ agreement or determination of the audited completion accounts, (i) if the VSA Consideration determined using such audited completion accounts is greater than the VSA Initial Consideration (the “**Surplus**”), the VSA Purchaser shall pay the VSA Vendor the amount of the Surplus; or (ii) if the VSA Consideration determined using such audited completion accounts is less than the VSA Initial Consideration (the “**Deficit**”), the VSA Vendor shall pay the VSA Purchaser the amount of the Deficit.

For the purposes of the determining the VSA Initial Consideration and the VSA Consideration, the “adjusted net asset” of the VSA Target Company means:

- (a) the total assets of the VSA Target Company as at the VSA Completion Date (other than the VSA Properties, plant and equipment, investment property or property under development for sale (as the case may be), furniture and fixture and deferred tax assets (if any)); minus

- (b) the total liabilities of the VSA Target Company as at the VSA Completion Date (including the tax payable (if any) accrued for the period from April 1, 2024 to the VSA Completion Date (inclusive of the VSA Completion Date) and the rental deposits held under the tenancy agreements related to the VSA Properties but other than any deferred tax liabilities (if any)).

It is estimated that, based on latest financial information of the VSA Target Company, the amount of “adjusted net asset” of the VSA Target Company would be no more than HK\$4 million.

The VSA Consideration was arrived at after arm’s length negotiations between the parties on normal commercial terms taking into account:

- (a) the preliminary appraised value of the VSA Properties of HK\$380,000,000 as at December 31, 2024 determined by the VSA Valuer, CBRE Advisory Hong Kong Limited, an independent property valuer; and
- (b) the entire issued share capital of the VSA Target Company shall be acquired on a cash-free and debt-free basis and free and clear of all liens, encumbrances or obligations.

The Board considers that the VSA Consideration, subject to adjustment, is fair and reasonable and in the interests of the Company and the Shareholders as a whole based on:

- (a) the unaudited net liability of the VSA Target Company of approximately HK\$90.1 million as at October 31, 2024, of which the VSA Properties amounting to approximately HK\$124.0 million were accounted for using the cost model (i.e. cost less amortization); taking into consideration of the fair value of the VSA Properties of HK\$380.0 million as at December 31, 2024, the VSA Target Company would have a net asset value of approximately HK\$165.9 million;
- (b) the capitalization of the amount due to Ultimate Holding Company of VSA Target with an outstanding amount of approximately HK\$106.8 million on December 31, 2024; and
- (c) the undertaking of the VSA Vendor to settle Bank Loan 1, which amounted to approximately HK\$91.7 million as at December 31, 2024, in full for and on behalf of the VSA Target Company on the VSA Completion Date using the VSA Initial Consideration.

The VSA Completion is subject to the VSD Completion and the VSA Purchaser intends to fund the VSA Consideration by the proceeds from the sale of the VSD Properties.

VSA Conditions Precedent

The VSA Completion is conditional upon the satisfaction and/or waiver (as applicable) of the following conditions precedent:

- (a) the VSD Completion having taken place;
- (b) the VSA Target Company being able to prove and give title to the VSA Properties in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219), subject to the provisions contained in the government lease under which the VSA Properties are held from the Hong Kong Government and subject to the payment of government rent, premium and the performance and observance of the provisions of the government lessees covenants and conditions payable and to be performed and to be observed in respect of the same and subject to any matter appearing in the VSA Sale and Purchase Agreement but otherwise free from all incumbrances;
- (c) the VSA Purchaser having completed the due diligence investigation over business, financial, legal and all other aspects of the VSA Target Company and the VSA Sale Shares and is reasonably satisfied with the result thereof;
- (d) there being no material breach of warranties and any other provision under the VSA Sale and Purchase Agreement by the VSA Vendor and each of such warranties remains true, accurate, complete and not misleading in all respects before and up to the VSA Completion Date; and
- (e) the VSA Independent Shareholders having approved the VSA Sale and Purchase Agreement and the transactions contemplated thereunder and the Company having complied with all the other relevant requirements (if any) under the Listing Rules, and the exact scope and terms of which are reasonably acceptable to both the VSA Vendor and the VSA Purchaser.

Conditions precedent (a) and (e) above cannot be waived. Conditions precedent (b) to (d) above may be waived by the VSA Purchaser.

As at the date of this announcement, none of the conditions have been waived or satisfied and the Board has no intention to waive any of the conditions precedent (b) to (d) above.

VSA Completion

Upon satisfaction (or waiver by the VSA Purchaser, as applicable) of all the VSA Conditions Precedent, VSA Completion shall take place at or before 1:00 p.m. on April 9, 2025 or such other date as the parties may agree in writing.

The VSA Purchaser may from time to time postpone the VSA Completion Date to any date(s) which is/are not later than the VSA Long Stop Date (being October 10, 2025) by giving to the VSA Vendor not less than three (3) business days' notice in writing provided that in the event the VSA Purchaser has exercised its rights to postpone the VSA Completion Date, VSA Completion shall take place on the fifth (5th) business day after and exclusive of the date which the VSA Purchaser notifies the VSA Vendor in writing it is in the position to complete the purchase.

Given that the VSA Completion is conditional upon the VSD Completion having taken place, the VSA Purchaser is entitled to postpone the VSA Completion to a date not later than the VSA Long Stop Date if the VSD Completion is postponed pursuant to the VSD Sale and Purchase Agreement. In the event that the VSD Completion does not occur by the VSD Long Stop Date and the VSD Purchaser cancels the VSD Sale and Purchase Agreement, or if any of the VSA Conditions Precedent has not been duly fulfilled (or waived) on or before the VSA Long Stop Date, the VSA will also be terminated.

Upon the VSA Completion, all customary rights of a property owner (including any rights under the deed and sub-deed of mutual covenant and management agreement concerning the management of the VSA Properties) and controls over the VSA Properties will be transferred to and exercisable by the VSA Purchaser indirectly through the VSA Target Company.

Other Material Terms

“As-is” Basis and Vacant Possession

The VSA Properties are to be delivered at the VSA Completion on an “as is” basis. The VSA Properties are sold and purchased subject to the existing tenancy agreements, particulars of which are set out in the VSA Sale and Purchase Agreement, provided always that if any tenancy created under such existing tenancy agreements have terminated for whatever reason or the tenant under such tenancy agreements shall have delivered up vacant possession of the VSA Properties or any part thereof to the VSA Vendor on or before the VSA Completion, vacant possession of such part of the VSA Properties shall be delivered up to the VSA Purchaser on VSA Completion in such state and conditions as the VSA Vendor take over from the tenant.

Bank Loan 1

As at the date of the VSA Sales and Purchase Agreement, a Macau-licensed bank has granted loan facility(ies) to the VSA Target Company, which is secured by security documents including a legal charge/mortgage and a rental assignment over car parks of the VSA Properties and a promissory note signed by the VSA Target Company. The carrying amount of Bank Loan 1 amounted to approximately HK\$91.7 million as at December 31, 2024.

The VSA Vendor has undertaken to (i) settle the Bank Loan 1 for and on behalf of the VSA Target Company in full on the VSA Completion Date using the VSA Initial Consideration; and (ii) ensure that the legal charge/mortgage and the rental assignment over car parks of the VSA Properties and the promissory note signed by the VSA Target Company shall be absolutely cancelled, released and/or discharged (as the case may be) with effect on or before the VSA Completion Date and, where applicable, shall provide the valid original deed(s) of release and/or receipt(s) of discharge (to be dated on or before the VSA Completion Date) to be duly executed by the relevant bank within 21 days after the VSA Completion Date.

The VSA Vendor has been keeping the VSA Purchaser fully updated on the progress of its discussions with the relevant bank on the repayment of loan and release and discharge of the security provided which shall take effect at the VSA Completion. Pursuant to the VSA Sale and Purchase Agreement, the VSA Vendor has given standing instructions to its solicitors that upon finalising the amount of repayment prior to the VSA Completion Date, the VSA Vendor's solicitors will on its behalf direct and require the VSA Purchaser to split the VSA Consideration so that at the VSA Completion, the relevant amount will be paid to the relevant bank directly for settlement of the relevant amount.

Bank Loan 2

As at the date of the VSA Sales and Purchase Agreement, a Hong Kong-licensed bank has granted loans and/or loan facility(ies) to associates of the VSA Vendor, which are secured by security documents including a mortgage and a rental assignment over the Shopping Mall. The VSA Target Company also provided guarantees for certain amount of the Bank Loan 2. Based on the current discussion between the VSA Vendor and the relevant bank, the amount required to be paid to the relevant bank to redeem the securities and guarantees provided for Bank Loan 2 would not be more than HK\$105 million.

The VSA Vendor has undertaken to ensure that the mortgage and the rental assignment over the Shopping Mall and all the guarantees provided by the VSA Target Company shall be absolutely cancelled, released and/or discharged with effect on or before the VSA Completion Date by redeeming such securities and guarantees on the VSA Completion Date using the VSA Initial Consideration and, where applicable, shall provide the valid original deed(s) of release and/or receipt(s) of discharge (to be dated on or before the VSA Completion Date) to be duly executed by the relevant bank within 21 days after the VSA Completion Date.

The VSA Vendor has been keeping the VSA Purchaser fully updated on the progress of its discussions with the relevant bank on the release and discharge of the securities and guarantees provided for Bank Loan 2 which shall take effect at the VSA Completion. Pursuant to the VSA Sale and Purchase Agreement, the VSA Vendor has given standing instructions to its solicitors that upon finalising the amount of repayment prior to the VSA Completion Date, the VSA Vendor's solicitors will on its behalf direct and require the VSA Purchaser to split the VSA Consideration so that at the VSA Completion, the relevant amount will be paid to the relevant bank directly for settlement of the relevant amount.

Intra-group Balances

The VSA Vendor shall, at its cost, procure that, prior to the VSA Completion, any and all outstanding loan(s), indebtedness or liability(ies) (actual or contingent), contract(s), arrangements and other amounts (if any) owing between the VSA Target Company (on the one part) and the VSA Vendor and/or any other person(s) who hold a direct or indirect shareholding in the VSA Vendor or is direct or indirectly owned (wholly or partially) by same person(s) who hold a direct or indirect shareholding in the VSA Vendor (on the other part) be fully repaid, set-off, terminated or otherwise eliminated.

Stamp Duty

The parties agreed that all or any stamp duty payable in respect of the sale and purchase of the VSA Sale Shares shall be borne by the VSA Purchaser solely and absolutely.

Termination

If a party is unable or unwilling to comply with its obligations under the VSA Sale and Purchase Agreement on the VSA Completion Date, the other party may, by notice in writing to the party in default, to (i) postpone the VSA Completion Date to a date (being a business day) falling not more than forty business days after the VSA Completion Date; (ii) proceed to the VSA Completion as far as practicable; or (iii) terminate the VSA Sale and Purchase Agreement and proceed to take appropriate legal action(s) against the party in default (at its sole and absolute discretion).

If any of the VSA Conditions Precedent (b) to (d) set forth in the sub-section headed “VSA Conditions Precedent” of this announcement has not been duly fulfilled and/or waived (as applicable) on or before the VSA Completion Date and the VSA Purchaser does not postpone the VSA Completion Date to a date (being a business day) falling not more than forty business days after the VSA Completion Date, the VSA may be cancelled at the election of the VSA Purchaser by giving notice to the VSA Vendor.

If any of the VSA Conditions Precedent (a) and (e) set forth in the sub-section headed “VSA Conditions Precedent” of this announcement has not been duly fulfilled on or before the VSA Completion Date and the parties thereto do not postpone the VSA Completion Date to a date (being a business day) falling not more than forty business days after the VSA Completion Date, the VSA may be cancelled at the election of any party to the VSA Sale and Purchase Agreement by giving notice to the other party.

5. INFORMATION ON THE VSA TARGET COMPANY AND THE VSA PROPERTIES IN RELATION TO THE VSA SALE AND PURCHASE AGREEMENT

The VSA Target Company

Grand View Properties Limited is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the VSA Vendor. It is principally engaged in property investment for rental purposes and owns the VSA Properties. As at the date of this announcement, the VSA Target Company does not have any subsidiaries and the principal asset of the VSA Target Company is the VSA Properties.

The VSA Vendor acquired the VSA Target Company at the cost of HK\$295 million on December 28, 2016. At the time of such acquisition, the principal asset of the VSA Target Company comprised the Shopping Mall and 353 car parks.

The VSA Properties

The VSA Properties (which comprises the Shopping Mall and 305 car parks) are for commercial use and has a total saleable area of approximately 16,742 square feet.

The principal nature of the businesses of tenants of the Shopping Mall at March 31, 2023 and March 31, 2024 were mainly food & beverages, beauty, healthcare, elderly home and other services.

The average occupancy rate of the Shopping Mall for the year ended March 31, 2024 was 78% (for the year ended March 31, 2023: 81%) and the average rate per square feet of the Shopping Mall for the year ended March 31, 2024 was HK\$593 (for the year ended March 31, 2023: HK\$575). The average lease term of tenants was around 24 months as at March 31, 2024 (as at March 31, 2023: 24 months).

The average occupancy rate of car parks for the year ended March 31, 2024 was 77% (for the year ended March 31, 2023: 88%) and the average rate per car park for the year ended March 31, 2024 was HK\$3,900 (for the year ended March 31, 2023: HK\$3,000).

As at the date of this announcement, (i) among the 39 retail shops, 31 retail shops of the VSA Properties are leased to independent third parties with tenancy agreements expiring from February 2025 to November 2026, which generated monthly net rental income of approximately HK\$0.8 million in October 2024; and (ii) among the 305 car parks, 221 car parks are leased out on a monthly basis, which generated monthly rental income of approximately HK\$0.8 million in October 2024.

Financial Information of the VSA Target Company

Set out below is a summary of the financial information of the VSA Target Company for years ended March 31, 2023 and 2024, respectively:

	For the year ended March 31	
	2023	2024
	HK\$'000	HK\$'000
	Approximate (unaudited)	Approximate (unaudited)
Revenue	22,614	23,521
Profit before taxation	4,188	26,412
Profit after taxation	3,085	25,434

As at October 31, 2024, the unaudited net liability of the VSA Target Company was approximately HK\$90,064,000⁽¹⁾.

Note:

1. As at December 31, 2024, an amount due to Ultimate Holding Company of VSA Target of approximately HK\$106.8 million was capitalized.

The VSA Valuation

The VSA Valuation has been prepared by the VSA Valuer in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and, where applicable and appropriate, compliant with the RICS Valuation – Global Standards 2022 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards 2022 published by the International Valuation Standards Council. The VSD Valuer has also complied with all the requirements set out in Chapter 5 of the Listing Rules and Practice Note 12 of the Listing Rules.

Valuation basis and methodology

The VSA Valuation has been undertaken on the basis of Market Value, which is defined under the HKIS Valuation Standards 2020 as “the estimated amount for which an asset or liability should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

For the VSA Valuation, the VSA Valuer has adopted the Market Approach. The Market Approach is the most appropriate valuation approach to value the VSA Properties because the Market Approach is the most widely used method of valuation and is based on comparing the VSA Properties to be valued directly with other comparable properties which have recently transacted. Given that comparable properties are readily available, the Market Approach has been adopted for the valuation of the VSA Properties. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the value likely to be achieved by the VSA Properties. In the course of the VSA Valuation, the VSA Valuer has made appropriate adjustments for relevant factors including time, building age, size, location, accessibility, pedestrian flow, bulk discount, and level etc. to the comparables to reflect the differences between the comparables and the VSA Properties.

Key assumptions of the VSA Valuation

The VSA Valuation was based on the following key assumptions:

- (a) the VSA Properties have been properly marketed and that exchange of contracts took place on the date of the valuation report;
- (b) the owner sells the VSA Properties on the open market without the benefit and burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the VSA Properties;
- (c) the VSA Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values (unless otherwise stated);
- (d) the VSA Properties are freely disposable and transferable for the whole of the unexpired land lease term without any land premium payment (unless otherwise stated); and

- (e) the use of the VSA Properties complies with the land lease, license and all other statutory regulations (unless otherwise stated).

Valuation considerations

The VSA Valuer has conducted internal and external inspections of the VSA Properties on December 18, 2024 to such extent that it considered necessary for the purpose of the VSA Valuation. Although not all areas in the VSA Properties were accessible for viewing at the time of inspection, the VSA Valuer has endeavoured to inspect all areas of the VSA Properties.

The VSA Valuer was not instructed to undertake any structural surveys, test the services, or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the VSA Properties. The VSA Valuation has therefore been undertaken on the basis that the VSA Properties is in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

The VSA Valuer has not undertaken archaeological, ecological or environmental surveys. The VSA Valuation is on the basis that these aspects are satisfactory that no extraordinary expenses will be incurred due to any archaeological or ecological matter.

The VSA Valuer has obtained the land register records of the VSA Properties from the Land Registry. However, the VSA Valuer has not inspected the original document to verify ownership or to ascertain the existence of any amendment which may not appear on the copy handed to the VSA Valuer. The VSA Valuer has not perused any original land documentation and has assumed that there is no easement or encumbrance which may affect the value but is not shown in the land register records.

The VSA Valuer has relied to a considerable extent on the information provided by the VSA Purchaser and has accepted the advice given to it. No on-site measurement has been taken. Dimension, measurement and area included in the valuation certificates are based on the information provided by the VSA Purchaser, or the information contained in or the VSA Valuer's measurement of the plans and documents available to it. The VSA Valuer has no reason to doubt the truth and accuracy of the information provided to it, which may be material to the valuation. All measurements are only approximations.

Saleable Area is defined as the floor area exclusively allocated to a property unit and is measured according to the HKIS's Code of Measuring Practice.

The VSA Valuer has assumed that the VSA Properties is erected within the lot boundary. No site investigation has been carried out to determine the suitability of the subsoil condition, services, etc. for development and the VSA Valuer has assumed that these aspects are satisfactory. The VSA Valuation does not make any allowance for contamination or pollution of land, if any, which may have occurred as a result of past usage.

Independence of the VSA Valuer

The VSA Valuer has confirmed it does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the VSA Properties.

The valuation report prepared by the VSA Valuer will be included in the circular to be despatched to the Shareholders.

6. INFORMATION ON VARIOUS PARTIES

The VSD Vendor

City Promenade Limited is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in hotel operation.

The VSD Purchaser

HKIA Accommodation Limited, a wholly-owned subsidiary of a Hong Kong statutory body.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the VSD Purchaser and its ultimate beneficial owner (being the Hong Kong statutory body) are third parties independent of the Company and its connected persons.

The VSA Vendor

Solar Trend Limited is a company incorporated in Hong Kong with limited liability and its entire issued share capital is indirectly and ultimately owned by Mr. Lun. It is principally engaged in property investment.

The VSA Purchaser

Grand V Limited is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Group

The Company is an investment holding company. As at the date of the announcement, the principal activities of the Group are operation of the Hotel as well as the trading of building materials and fit-out construction service.

7. REASONS FOR AND BENEFITS OF THE VSD AND THE VSA

Background of the VSD and the VSA

In May 2024, a Hong Kong statutory body, being the sole shareholder of the VSD Purchaser, approached the Company through an independent third-party agent to express its interest to acquire the VSD Properties. Given the recovery of the travel industry remains uncertain, the Board considers that the VSD represents a good opportunity for the Group to crystalize a gain of approximately HK\$400 million on the capital appreciation in value of the Hotel and to realize shareholder value from its operation of the Hotel.

With the net proceeds of approximately HK\$745 million from the VSD, the Board has considered the use of the net proceeds from the VSD to maximize shareholder value in detail. The Company is minded to continue to leverage on its experience in the property industry and has been looking for suitable targets for future business development. During the course of looking for such targets, in November 2024, it came to the attention of the Board that the VSA Target Company may be a suitable target for acquisition. For details of the reasons and benefits for the VSA, please refer to the sub-section headed “Reasons for and benefits of the VSA” below. The Company’s in-house solicitor and company secretary then started negotiations with the VSA Vendor’s representative on the terms of VSA on behalf of the Company.

Reasons for and benefits of the VSD

Recovery of the travel industry remains uncertain

The economic down cycle in Hong Kong had affected the Group’s hotel operations as the travel industry has yet to see significant rebound after the pandemic. The Group’s performance in this sector is dependent on the incoming of travelers, especially those coming from Mainland China. The rise of day trippers and prudent spending pattern pose challenges to the hotel industry.

For the years ended 31 March 2023 and 2024, the hotel operation of the Group generated loss before taxation of approximately HK\$17.0 million and HK\$10.7 million respectively. Notwithstanding the hotel operation of the Group generated profit for the six months ended September 30, 2024 as disclosed in the interim report of the Company for the six months ended September 30, 2024, the uncertain economic environment continues to pose challenges to the hotel industry as full recovery of the Hong Kong tourist industry remains indeterminate.

Strengthen the Group’s financial position and generate immediate value to Shareholders

The VSD represents a good opportunity for the Group to crystalize a gain of approximately HK\$400 million on the capital appreciation in value of the Hotel and to realize shareholder value from its operation of the Hotel. In addition, the Board further believes that the VSD will help the Group lower costs by saving costs on manpower required for operating the Hotel. The VSD also allows the Group to consolidate its resources and expand its business portfolio as well as the exploration of other investment opportunities, such as the VSA.

Subject to the approval of the Shareholders at the SGM and the VSD Completion, it is intended that approximately 15.8% of the net proceeds from the VSD will be declared and to be distributed and paid to the Shareholders by way of dividends upon the VSD Completion. Subject to the approval of the Shareholders at the SGM and the VSA Completion, it is intended that approximately 15.8% of the net proceeds from the VSD will be further declared and to be distributed and paid to the Shareholders by way of dividends upon the VSA Completion. The Directors are of the view that the VSD, together with the distribution of the dividends, will provide opportunities to the Shareholders to generate reasonable return to their investment in the Company.

Taking into consideration that (i) the VSD represents a good opportunity for the Group to realize its investments in the Hotel; (ii) upon the VSD Completion, Shareholders can also generate reasonable return to their investment in the Company by way of dividend distribution; (iii) the net proceeds from the VSD (after deducting the proposed dividend distribution) that allows the Group to seek other potential investment opportunities to enhance return to the Shareholders; and (iv) the factors as described in the section headed “2. The VSD Sale and Purchase Agreement – VSD Consideration and Payment Terms”, the Directors are of the view that the terms of the VSD Sale and Purchase Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Reasons for and benefits of the VSA

The Group has been active in seeking for potential investment opportunities to enhance return to the Shareholders. The VSA represents an opportunity for the Group to generate a steady income stream as compared to the Hotel, whereby performance is subject to the rise and fall of the travel industry.

As at the date of this announcement, the VSA Properties comprise the Shopping Mall and 305 car parks. The VSA Vendor enjoys all customary rights of a property owner (including any rights under the deed and sub-deed of mutual covenant and management agreement concerning the management of the VSA Properties) and controls over the VSA Properties indirectly through the VSA Target Company. For the years ended March 31, 2023 and 2024, the VSA Target Company recorded revenue (excluding management fee income) of approximately HK\$21.3 million (representing gross rental yields of 4.17%) and HK\$22.2 million (representing gross rental yields of 5.13%), respectively.

Taking into account the historical financial performance of the VSA Target Company, the Directors are of the view that the VSA will provide for long-term viability and sustainability of the Company.

The Board also believes that the income to be generated from the VSA Properties would provide enhancement in the overall working capital of the Group. This will positively impact the operation of Group's business as a whole going forward.

Having considered (i) the above reasons and benefits; and (ii) the factors as described in the section headed "4. The VSA Sale and Purchase Agreement – VSA Consideration and Payment Terms", the Directors (excluding Mr. Lun who has abstained from voting on the relevant Board resolutions and the members of the VSA Independent Board Committee who will express their view after receiving advice from the VSA Independent Financial Adviser) are of the view that the terms of the VSA Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. POTENTIAL FINANCIAL EFFECT OF THE VSD

It is expected that the Group will realize a gain on the VSD of approximately HK\$400 million, which is calculated by reference to (i) the VSD Consideration of HK\$765,000,000; (ii) the carrying amount of the Hotel after taking into account the valuation of the Hotel of HK\$765,000,000 as appraised by the VSD Valuer; and (iii) all relevant transaction expenses.

Shareholders should note that the actual amount of the gain or loss (if any) on the VSD to be recorded in the financial statements of the Group for the year ending 31 March 2025 (or any other applicable reporting period) will be subject to audit, and therefore may vary from the figure provided above.

9. POTENTIAL FINANCIAL EFFECT OF THE VSA

Upon the VSA Completion, the VSA Target Company will become a wholly-owned subsidiary of the Company and the financial results of the VSA Target Company will be consolidated into the financial results of the Group. The VSA Properties will be held as investment properties of the Group.

10. USE OF PROCEEDS FROM THE VSD

According to the VSD Sale and Purchase Agreement, the VSD Consideration is HK\$765,000,000. It is expected that the Company will receive net proceeds of approximately HK\$745 million from the VSD, after deducting all relevant transaction expenses.

The Group intends to apply the net proceeds from the VSD as follows:

Intended application	Approximate amount (HK\$'000)
Repayment of bank loans (and discharge of the existing legal charges/ mortgages) comprising (a) approximately HK\$74,000,000 for repayment of the outstanding principal amount under a loan facility granted by a Hong Kong-licensed bank which is currently secured by a first legal charge on the Hotel; and (b) approximately HK\$10,960,000 for repayment of the outstanding principal amount under a loan granted by another Hong Kong-licensed bank which is currently secured by a first legal charge on certain other property of the Group	84,960
The proposed distribution of the VSD Special Dividend to the Shareholders (representing the special dividend of HK\$0.06 per Share based on the number of outstanding Shares as at the date of the announcement)	117,983
The VSA Consideration (subject to adjustments)	364,401
The proposed distribution of the VSA Special Dividend to the Shareholders (representing the special dividend of HK\$0.06 per Share based on the number of outstanding Shares as at the date of the announcement)	117,983
General working capital (subject to adjustments)	<u>59,673</u>
Total	<u><u>745,000</u></u>

In the event that the VSD completion occurs but the VSA Completion does not occur, as the Company would like to continue to leverage on its experience in the property industry, the Group will continue to explore other suitable targets in the property industry for acquisition. The Company has no current intention either to use the relevant portion of the proceeds from the VSD for purposes other than for acquisitions of suitable targets or to hold the cash for a long period of time.

In the event that the VSA Completion does not occur, the Company will explore all alternatives in the property industry, such as to engage appropriate adviser(s) to help identify suitable strategic business acquisition targets and aim to shortlist a number of appropriate targets by end of 2025. The Company will update the Shareholders on the progress as and when appropriate.

Under appropriate circumstances, the Group may also return surplus cash to the Shareholders (for instance, by distribution of further dividend to the Shareholders).

11. PROPOSED DECLARATION OF VSD SPECIAL DIVIDEND AND PROPOSED DECLARATION OF VSA SPECIAL DIVIDEND

Subject to the approval of the Shareholders at the SGM and the VSD Completion, the Board intends to declare VSD Special Dividend of HK\$0.06 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Subject to the approval of the Shareholders at the SGM and the VSA Completion, the Board intends to declare VSA Special Dividend of HK\$0.06 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Further announcement(s) will be made by the Company in this regard as and when appropriate.

12. LISTING RULES IMPLICATIONS

VSD

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the VSD is 75% or more, the VSD constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

VSA and connected transaction

Mr. Lun is our executive Director, chairman and our ultimate controlling Shareholder and is therefore a connected person of the Company. As at the date of this announcement, the entire issued share capital of the VSA Vendor is ultimately owned by Mr. Lun. Accordingly, the VSA Vendor is an associate of Mr. Lun and a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The entering into of the VSA Sale and Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The entering into of the VSA Sale and Purchase Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the VSA is 100% or more, the VSA also constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Lun had abstained from voting on the Board resolutions approving the VSA Sale and Purchase Agreement and the transactions contemplated thereunder.

Apart from the above, none of the Directors has any material interest in (i) the VSD Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the proposed declaration of VSD Special Dividend; (iii) the VSA Sale and Purchase Agreement and the transactions contemplated thereunder; and (iv) the proposed declaration of VSA Special Dividend and was required to abstain from voting on the relevant Board resolutions approving the same.

13. SGM, SHAREHOLDERS' CIRCULAR, VSA INDEPENDENT BOARD COMMITTEE AND VSA INDEPENDENT FINANCIAL ADVISER

SGM

The Company will convene an SGM for:

- (a) the Shareholders to consider and, if thought fit, to approve the VSD Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the Shareholders to consider and, if thought fit, to approve the proposed declaration of the VSD Special Dividend;
- (c) the VSA Independent Shareholders to consider and, if thought fit, to approve the VSA Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (d) the Shareholders to consider and, if thought fit, to approve the proposed declaration of the VSA Special Dividend.

As set out in the section headed "7. Reasons for and benefits of the VSD and the VSA – Background of the VSD and the VSA", the VSD and the VSA are two separate transactions. For the reasons set out therein (including the amount of VSD Consideration), the Company is minded to materialize the VSD whether or not the VSA will materialise. The VSA is only consequential to the VSD to the extent that the Company only began to consider the VSA after the VSD became close to be materialised. Hence the VSD is not undertaken for the purpose of the VSA. In fact, the Company will consider any target (whether from a connected person or an independent third party) as long as the target is considered suitable by the Board and benefit the Company and the Shareholders as a whole.

On the basis of the above, it is considered that the interest of Mr. Lun and his associates in the VSD align with other Shareholders and hence Mr. Lun is not required to abstain from voting on the relevant Board resolutions on the VSD and Mr. Lun and his associates are not required to abstain from voting on the resolution of the Company in approving the VSD Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

As Mr. Lun is considered to have material interests in the VSA Sale and Purchase Agreement and the transactions contemplated thereunder, Mr. Lun has abstained from voting on the relevant Board resolutions on the VSA and Mr. Lun and his associates shall be required to abstain from voting on the resolution of the Company in approving the VSA Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Save for the aforementioned and to the best knowledge, information and belief of the Board, no other Shareholder has a material interest in (i) the VSD Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the proposed declaration of VSD Special Dividend; (iii) the VSA Sale and Purchase Agreement and the transactions contemplated thereunder; and (iv) the proposed declaration of VSA Special Dividend and is required to abstain from voting on the relevant resolutions of the Company in approving the same at the SGM.

Shareholders' circular

A circular containing, among other things, (i) further details in relation to the VSD and the VSA, (ii) the proposed declaration of the VSD Special Dividend and proposed declaration of the VSA Special Dividend, (iii) the recommendation of the VSA Independent Board Committee in relation to the VSA, (iv) a letter of advice from the VSA Independent Financial Adviser to the VSA Independent Board Committee and the VSA Independent Shareholders in relation to the VSA, (v) other information required under the Listing Rules and (vi) a notice convening the SGM, is expected to be despatched to the Shareholders on or before February 25, 2025 in order to allow sufficient time for the Company to prepare for the information to be included in the circular.

VSA Independent Board Committee and VSA Independent Financial Adviser

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the VSA Independent Shareholders with respect to the VSA, which constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Red Sun Capital Limited has been appointed as the VSA Independent Financial Adviser to advise the VSA Independent Board Committee and the VSA Independent Shareholders in this regard.

14. GENERAL

As the VSD Completion is subject to the satisfaction and/or waiver (as applicable) of the VSD Conditions Precedent and the VSA Completion is subject to the satisfaction and/or waiver (as applicable) of the VSA Conditions Precedent, the VSD and/or VSA may or may not proceed to completion. The VSD Completion is not conditional on the VSA Completion but the VSA Completion is conditional on the VSD Completion. Since VSD Special Dividend is subject to the VSD Completion and VSA Special Dividend is subject to the VSA Completion, they may or may not be declared. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

15. WARNING

Following the VSD Completion, in the event that the trading of building materials and fit-out construction service segment of the Group is downsized or disposed of in the future, it may result in failure on the part of the Company to demonstrate a sufficient level of operations and assets of sufficient value to support the Company's operations as required pursuant to Rule 13.24 of the Listing Rules. In addition, the Company may also be subject to the reverse takeovers rules under Chapter 14 of the Listing Rules under certain circumstances including where there is also a change in control of the Company.

16. DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings:

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Bank Loan 1”	the loan and/or loan facility(ies) granted by a Macau-licensed bank to the VSA Target Company in accordance with a facility letter dated July 25, 2024
“Bank Loan 2”	the loans and/or loan facility(ies) granted by a Hong Kong-licensed bank to associates of the VSA Vendor in accordance with facility letters dated between June 19, 2017 and November 4, 2024
“Board”	the board of the Directors
“Company”	MEXAN LIMITED, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 22)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Furniture”	the furniture, household effects and chattels kept or installed in the Hotel as defined in the VSD Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Government”	the government of Hong Kong
“Hotel”	the Winland 800 Hotel, an 800-room hotel which is situated at No.1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Lun”	Mr. Lun Yiu Kay Edwin, the ultimate owner of the entire issued share capital of the VSA Vendor and an executive Director, the chairman and the ultimate controlling Shareholder of the Company
“NewCo”	Harbour Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, among other things, (i) the VSD Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the proposed declaration of the VSD Special Dividend; and (iii) the proposed declaration of the VSA Special Dividend; and for the VSA Independent Shareholders to consider and approve, if thought fit, the VSA Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shopping Mall”	(i) Shop A and Shop B on the ground floor of the commercial/carpark block, (ii) Shop F, Shop G, Shop H and Shop I on the ground floor and (iii) Shop C and Shop E on the first floor of the commercial/carpark block of Grand View Garden, which is situated at No.185 Hammer Hill Road, Kowloon, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ultimate Holding Company of VSA Target”	Winland Enterprises Limited, a company incorporated in Hong Kong with limited liability and its entire issued share capital is owned by Mr. Lun
“VSA”	the acquisition of the VSA Sale Shares by the VSA Purchaser pursuant to the terms of the VSA Sale and Purchase Agreement
“VSA Completion”	completion of the VSA
“VSA Completion Date”	the date of VSA Completion

“VSA Condition(s) Precedent”	the condition(s) precedent set forth in the section headed “VSA Sale and Purchase Agreement – VSA Conditions Precedent” of this announcement, or one or some of them if the context so requires
“VSA Consideration”	the VSA Initial Consideration as further adjusted based on the amount of the “adjusted net asset” of the VSA Target Company as at the VSA Completion Date to be determined with reference to the audited completion accounts to be prepared in accordance with the terms of the VSA Sale and Purchase Agreement, which is payable by the VSA Purchaser to the VSA Vendor for the VSA pursuant to the terms of the VSA Sale and Purchase Agreement
“VSA Independent Board Committee”	an independent committee of the Board, which comprises all independent non-executive Directors, namely Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Chao Howard, established to advise the VSA Independent Shareholders on, among other matters, the fairness and reasonableness of the VSA Sale and Purchase Agreement
“VSA Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the VSA Independent Board Committee and the VSA Independent Shareholders in respect of the VSA
“VSA Independent Shareholders”	the Shareholders who are not required to abstain from voting in the resolution(s) in relation to the VSA to be proposed at the SGM
“VSA Initial Consideration”	the initial consideration for the VSA means an amount equal to the sum of (i) HK\$364,400,800 and (ii) the positive/negative amount of “adjusted net asset” of the VSA Target Company as at the VSA Completion Date to be determined with reference to the pro forma completion accounts to be prepared in accordance with the terms of the VSA Sale and Purchase Agreement, which is payable by the VSA Purchaser to the VSA Vendor for the VSA pursuant to the terms of the VSA Sale and Purchase Agreement
“VSA Long Stop Date”	the long stop date of VSA Completion, being October 10, 2025

“VSA Properties”	the Shopping Mall and 305 car parks
“VSA Purchaser”	Grand V Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“VSA Sale and Purchase Agreement”	the VSA Sale and Purchase Agreement dated February 7, 2025 entered into between the VSA Vendor and the VSA Purchaser, the principal terms of which are set forth in the section headed “The VSA Sale and Purchase Agreement” of this announcement
“VSA Sale Shares”	100 shares of the VSA Target Company, representing 100% of its total issued share capital
“VSA Special Dividend”	the special cash dividend of HK\$0.06 per Share intended to be declared and distributed by the Company to the Shareholders subject to the approval of the Shareholders at the SGM and VSA Completion
“VSA Target Company”	Grand View Properties Limited, a company incorporated in Hong Kong with limited liability and its entire issued share capital is indirectly and ultimately owned by Mr. Lun
“VSA Valuation”	the valuation of the VSA Properties conducted by the VSA Valuer
“VSA Valuer”	CBRE Advisory Hong Kong Limited, an independent third-party valuer engaged by the VSA Purchaser
“VSA Vendor”	Solar Trend Limited, a company incorporated in Hong Kong with limited liability and its entire issued share capital is indirectly and ultimately owned by Mr. Lun
“VSD”	the disposal of the VSD Properties by the VSD Vendor pursuant to the terms of the VSD Sale and Purchase Agreement
“VSD Completion”	completion of the VSD
“VSD Completion Date”	the date of VSD Completion, being April 2, 2025
“VSD Condition(s) Precedent”	the condition(s) precedent set forth in the section headed “VSD Sale and Purchase Agreement – VSD Conditions Precedent” of this announcement, or one or some of them if the context so requires

“VSD Consideration”	the consideration of HK\$765,000,000 payable by the VSD Purchaser to the VSD Vendor for the VSD pursuant to the terms of the VSD Sale and Purchase Agreement
“VSD Extended Completion Date”	the extended date of VSD Completion, being July 31, 2025
“VSD Long Stop Date”	the long stop date of VSD Completion, being October 2, 2025
“VSD Properties”	the Hotel and the Furniture
“VSD Purchaser”	HKIA Accommodation Limited, a wholly-owned subsidiary of a Hong Kong statutory body
“VSD Sale and Purchase Agreement”	the VSD Sale and Purchase Agreement dated February 7, 2025 entered into between the VSD Vendor and the VSD Purchaser, the principal terms of which are set forth in the section headed “The VSD Sale and Purchase Agreement” of this announcement
“VSD Special Dividend”	the special cash dividend of HK\$0.06 per Share intended to be declared and distributed by the Company to the Shareholders subject to the approval of the Shareholders at the SGM and VSD Completion
“VSD Valuation”	the valuation of the Hotel conducted by the VSD Valuer
“VSD Valuer”	CBRE Advisory Hong Kong Limited, an independent third-party valuer engaged by the VSD Vendor
“VSD Vendor”	City Promenade Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
MEXAN LIMITED
Lun Yiu Kay Edwin
Chairman

Hong Kong, February 7, 2025

As at the date of this announcement, the executive Directors are Mr. Lun Yiu Kay Edwin (Chairman), Mr. Ng Ka Kit and Ms. Wong Yuen Fan and the independent non-executive Directors are Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Chao Howard.