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31 July 2025

To: the Independent Board Committee

Dear Sir or Madam,

**(1) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee of Haichang Ocean Park Holdings Limited (the “**Company**”) in relation to the proposed subscription of new shares of the Company by Sunriver Starrysea Tourism (Cayman) Co., Ltd. and the application for whitewash waiver (the “**Transactions**”). Details of the Transactions are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 31 July 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 2 June 2025 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber and Sunriver, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue the Subscription Shares, being 5,100,000,000 new Shares, at the Subscription Price under the Specific Mandate.

As at the date of the Announcement and as at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it owns, controls or directs any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares. Assuming there is no other change in the share capital of the Company from the Latest Practicable Date up to and including the date of Completion, the Subscriber will hold 5,100,000,000 Shares upon Completion, representing approximately 38.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the



Whitewash Waiver is obtained from the Executive. In this regard, an application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy in respect of the Whitewash Waiver at the EGM; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders in respect of the Subscription (including the Specific Mandate) that are cast either in person or by proxy at the EGM.

The Independent Board Committee, comprising Mr. Yuan Bing and Mr. Go Toutou, who are non-executive Directors, and all the independent non-executive Directors including Mr. Zhu Yuchen, Mr. Wang Jun and Ms. Shen Han, has been formed under Rule 2.1 of the Takeovers Code to advise the Independent Shareholders in respect of the Subscription, the Whitewash Waiver and the respective transactions contemplated thereunder. As Mr. Wang Xuguang was involved in the negotiations of the Subscription, which may compromise his ability to provide an impartial assessment to the Shareholders as a member of the Independent Board Committee, he will not serve as a member of the Independent Board Committee. We, Somerley Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in this regard (the “**Engagement**”).

We are not associated with the Company, the Subscriber or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Subscription and the Whitewash Waiver. During the past two years prior to the Latest Practicable Date, there have been no engagements between Somerley Capital Limited and the Company or the Subscriber and parties acting in concert with it. Apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any payment or benefits from the Company, the Subscriber or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (the “**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. Should there be any material changes to our opinion or information provided in this letter after the Latest Practicable Date, the Independent Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or the Subscriber, nor have we carried out any independent verification of the information supplied.



PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Subscription and the Whitewash Waiver, we have taken into account the principal factors and reasons set out below.

A. The Share Subscription

1. Information on the Group

1.1. Business

The Group mainly carries out its operations in the PRC and is principally engaged in (i) the development, construction and operation of theme parks, management of the Group's developed and operating properties surrounding the theme parks for rental income, hotel operation and the provision of services to visitors; (ii) the delivery of entire process of planning, designing, construction, animal conservation, and operation and management to external tourism and leisure projects, and (iii) the integration of world-class intellectual properties (IP) into theme parks, scenic spots, lifestyle hotels, commercial buildings and other on-ground consumption.

We have reviewed the 2024 annual report of the Company (the "2024 Annual Report"), and based on which the Group owned and operated seven tourism and leisure projects as at 31 December 2024 with details set out as follows:

Park	Year of opening	Site area (in approximate square metre)
Shanghai Haichang Ocean Park	2018	297,000
Zhengzhou Haichang Ocean Park	2023	425,000
Dalian Haichang Discoveryland Theme Park	2006	467,000
Sanya Haichang Fantasy Town	2019	233,000
Dalian Laohutan Ocean Park	2002	23,000
Chongqing Haichang Caribbean Water Park	2009	240,000
Yantai Haichang Ocean Park	2011	157,000



1.2. Financial information

We have reviewed the 2023 annual report of the Company (the “**2023 Annual Report**”) and the 2024 Annual Report. Based on the aforesaid annual reports of the Company, we have set out below a summary of the consolidated financial information of the Group for each of the three years of FY2022, FY2023 and FY2024:

	For the year ended 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
Revenue	1,818,358	1,816,842	792,988
– Park operation	1,685,242	1,687,376	748,941
– Operation as a service	133,116	129,466	44,047
Gross profit/(loss)	418,965	457,455	(278,728)
Other income and gains	103,829	306,497	181,525
Selling and distribution expenses	(170,225)	(139,222)	(85,029)
Administrative expenses	(719,290)	(469,794)	(606,375)
Reversal of impairment losses/(impairment losses) on financial assets	450	8,091	(76,362)
Other expenses	(48,151)	(26,551)	(238,556)
Finance costs	(346,497)	(322,580)	(314,864)
Income tax credit	11,408	4,197	9,531
(Loss) attributable to owners of the Company	(739,719)	(197,259)	(1,395,911)

	As at 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	64,738	1,702,264	1,244,633
Pledged deposits	Nil	5,912	5,075
Property, plant and equipment	6,237,390	6,523,087	5,166,069
Right-of-use assets	1,592,207	1,484,515	1,476,716
Investment properties	745,500	257,349	122,477
Properties under development	299,996	299,849	299,789
Completed properties held for sale	7,086	22,498	22,498
Investment properties classified as held for sale	Nil	374,897	387,836
Receivables (including (i) long-term prepayments, receivables and deposits and (ii) prepayments and other receivables)	1,099,665	542,317	1,208,546



	As at 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	(5,898,417)	(6,142,868)	(5,149,167)
– <i>Current</i>	(1,560,983)	(1,403,535)	(1,461,220)
– <i>Non-current</i>	(4,337,434)	(4,739,333)	(3,687,947)
Lease liabilities	(295,348)	(156,104)	(118,563)
– <i>Current</i>	(27,353)	(35,087)	(25,833)
– <i>Non-current</i>	(267,995)	(121,017)	(92,730)
Payables (including (i) trade and bill payables, (ii) other payables and accruals and (iii) long-term payables)	(1,814,057)	(2,188,167)	(1,761,052)
Total assets	10,339,553	11,522,744	10,210,925
Total liabilities	(8,524,253)	(9,004,382)	(7,534,598)
Net assets	1,815,300	2,518,362	2,676,327
Net assets attributable to owners of the Company	1,722,760	2,416,030	2,623,757

1.2.1. Financial performance

FY2023 vs FY2022

During FY2023, the Group recorded revenue of approximately RMB1.82 billion, representing a substantial increase of approximately RMB1.02 billion or 129.11% as compared to that for FY2022. According to the 2023 Annual Report, such increase in revenue was mainly attributable to the increase in revenue of the park operation business and operation as a service (“OAAS”) business (being the provision of consultancy, management and recreation services for full cycle of operation of tourism and leisure projects covering the entire process of planning, designing, construction, animal conservation, and operation and management) as a result of the rebound of tourism & leisure market, as well as the newly opening of the Zhengzhou Park in 2023. The Group recorded gross profit of approximately RMB457.46 million for FY2023, as compared to gross loss of approximately RMB278.73 million recorded for FY2022. According to the 2023 Annual Report, such turnaround from gross loss to gross profit was attributable to the substantial increase in revenue post the pandemic.



The Group recorded (i) other income and gains of approximately RMB306.50 million for FY2023 (representing an increase of approximately 68.85% as compared to that for FY2022, which, according to the 2023 Annual Report, was primarily due to the fair value gains on investment properties, gain on disposal of an associate and dividend income from financial assets); (ii) selling and marketing expenses of approximately RMB139.22 million for FY2023 (representing an increase of approximately 63.73% as compared to that for FY2022, which, according to the 2023 Annual Report, was primarily attributable to the strengthened marketing efforts post pandemic and increased selling and marketing expenses incurred as a result of the opening of Zhengzhou Park); (iii) administrative expenses of approximately RMB469.79 million for FY2023 (representing a decrease of approximately 22.52% as compared to that for FY2022, which, as advised by the Management, was primarily attributable to the absence of significant long-term assets impairment during FY2023 as compared to approximately RMB148 million recorded in FY2022); and (iv) finance costs of approximately RMB322.58 million for FY2023 (representing an increase of approximately 2.45% as compared to that for FY2022, which, according to the 2023 Annual Report, was primarily due to the increase in interest-bearing debt in FY2023 in order to support Zhengzhou Park).

The Group's gross profitability improved significantly in FY2023 as compared to FY2022, despite still recording a net loss position. The Group recorded loss attributable to owners of the Company of approximately RMB197.26 million for FY2023, representing a substantial decrease of approximately RMB1.20 billion or 85.87% as compared to that for FY2022. As advised by the Management, such decrease in loss attributable to owners of the Company was mainly attributable to (i) the aforesaid increase in revenue resulting in a gross profit for FY2023, (ii) the increase in other income and gains, (iii) the decrease in administration expenses and (iv) the decrease in other expenses.

FY2024 vs FY2023

During FY2024, the Group recorded revenue of approximately RMB1.82 billion, representing a slight increase of 0.08% as compared to that for FY2023. As set out in the Board Letter, despite a 16.1% year-on-year increase in park entries to 10.79 million visitors, a significant 13.8% decline in per-capita spending and weak secondary consumption of the Group's visitors occurred due to the challenging external market environment. Per-capita spending represents the total amount of spending by the visitors (including tickets and secondary consumption within the theme parks) divided by the number of visitors, while secondary consumption represents the spending by the visitors within the theme parks (such as catering, souvenirs and special experience projects) but excluding the ticket costs. As such, the decline in per-capita spending and the weak secondary consumption affected the Group's gross profit during FY2024. The Group recorded gross profit of approximately RMB418.97 million for FY2024, representing a decrease of approximately 8.41% as compared to that for FY2023. According to the 2024



Annual Report, such decrease in gross profit was attributable to the increase in cost as a result of the newly opened Zhengzhou Park experiencing its first complete operating year in FY2024. As advised by the Management, despite the year-on-year (“YOY”) increase in the number of domestic tourists and overall spending of domestic tourists of the PRC in 2024, the overall performance of the theme park segment declined to a certain extent compared to that of 2023. Based on the knowledge of the Management on the market and the industry trend, the Management noted that the theme park segment generally faced similar challenges, and the Management considers that the operating performance of the Group in FY2024 was affected by the industry trend. Based on the knowledge of the Management about the market and the industry trend, the Management noted that the number of tourists of the theme park segment has declined in certain areas in the PRC, mainly due to more rational consumer spending and lower frequency of visits to theme parks due to extreme weather. Based on the knowledge of the Management about the market and the industry trend, the Management also noted that secondary consumption in theme parks (such as catering, souvenirs and special experience projects) has also declined generally, with a decline of 10% to 30% as compared to previous year in the market, reflecting that tourists are more conservative in consumption and less willing to accept higher-premium services and entertainment. The Management considers that the operating performance of the Group in FY2024 reflects the above industry trends. We acknowledge the Management’s view on the industry trends and consider that such trends had impacted the financial performance of the Group in FY2024.

The Group recorded (i) other income and gains of approximately RMB103.83 million for FY2024 (representing a decrease of approximately 66.12% as compared to that for FY2023, which, according to the 2024 Annual Report, was primarily due to the absence of gain on disposal of a related company and dividend income from financial assets during FY2024); (ii) selling and marketing expenses of approximately RMB170.23 million for FY2024 (representing an increase of approximately 22.27% as compared to that for FY2023, which, according to the 2024 Annual Report, was primarily attributable to the corresponding increase in selling and marketing expenses as a result of the newly opened Zhengzhou Park experiencing its first complete operating year in 2024); (iii) administrative expenses of approximately RMB719.29 million for FY2024 (representing an increase of approximately 53.11% as compared to that for FY2023, which, according to the 2024 Annual Report, was primarily due to the increase in administrative expenses in Zhengzhou Park and one-off impairment of approximately RMB190.4 million recorded in FY2024); and (iv) finance costs of approximately RMB346.50 million for FY2024 (representing an increase of approximately 7.41% as compared to that for FY2023, which, according to the 2024 Annual Report, was primarily due to the higher amount of interest capitalized in FY2023).



The Group recorded loss attributable to owners of the Company of approximately RMB739.72 million for FY2024, representing an increase of approximately 275.00% as compared to that for FY2023. As advised by the Management, such increase in loss attributable to owners of the Company was mainly attributable to the decrease in other income and gains (primarily due to the absence of gain on disposal of a related company and dividend income from financial assets during FY2024) and the increase in administration expenses (primarily due to the increase in administrative expenses in Zhengzhou Park and one-off impairment of approximately RMB190.36 million relating to property, plant and equipment).

1.2.2. Financial position

The Group recorded total assets of approximately RMB10.34 billion as at 31 December 2024, majority of which represented theme parks related non-current assets of the Group's principal business. The Group recorded total liabilities of approximately RMB8.52 billion as at 31 December 2024, majority of which represented interest-bearing bank and other borrowings. Other than the aforesaid non-current assets and bank and other borrowings, the Group also recorded receivables (including (i) long-term prepayments, receivables and deposits and (ii) prepayments and other receivables) and payables (including (i) trade and bill payables, (ii) other payables and accruals and (iii) long-term payables) of approximately RMB1.10 billion and approximately RMB1.81 billion respectively as at 31 December 2024.

We have further reviewed the liquidity position of the Group. As at 31 December 2024, the Group had cash and cash equivalents, interest-bearing bank and other borrowings and lease liabilities of approximately RMB64.74 million, RMB5.90 billion and RMB295.35 million respectively. As at 31 December 2024, we noted that the Group's cash and cash equivalents, in particular, represented a substantial decrease of approximately RMB1.64 billion or 96.20% as compared to that as at 31 December 2023 and a substantial decrease of approximately 94.80% as compared to that as at 31 December 2022. As advised by the Management, such decrease in the Group's cash and cash equivalents was mainly attributable to the net cash flow used in the investing activities for development of its projects and financing activities for repayment of bank and other loans of the Group (which mainly included (i) the payment for development of the Group's projects (including the purchases of items of property and prepayment and deposits) in accordance with the development plans of the Group's projects, resulting in a net cash outflow of approximately RMB1.30 billion and RMB1.21 billion in FY2023 and FY2024 respectively and (ii) repayment of bank and other loans of approximately RMB1.91 billion and RMB1.05 billion during FY2023 and FY2024 respectively).



The Group had net debt to equity ratio (being interest-bearing bank and other borrowings, and lease liabilities, less cash and cash equivalents, divided by net assets) of approximately 150.32%, 182.53% and 337.63% respectively as at 31 December 2022, 31 December 2023 and 31 December 2024. The net debt to equity ratio was on a deteriorating trend from 2022 to 2024, especially from end of 2023 to end of 2024. As advised by the Management, the aforesaid increase in net debt to equity ratio was mainly due to the decrease in cash and cash equivalents during FY2024 and the increase in the interest-bearing bank and other borrowings during FY2023.

1.2.3. Our view

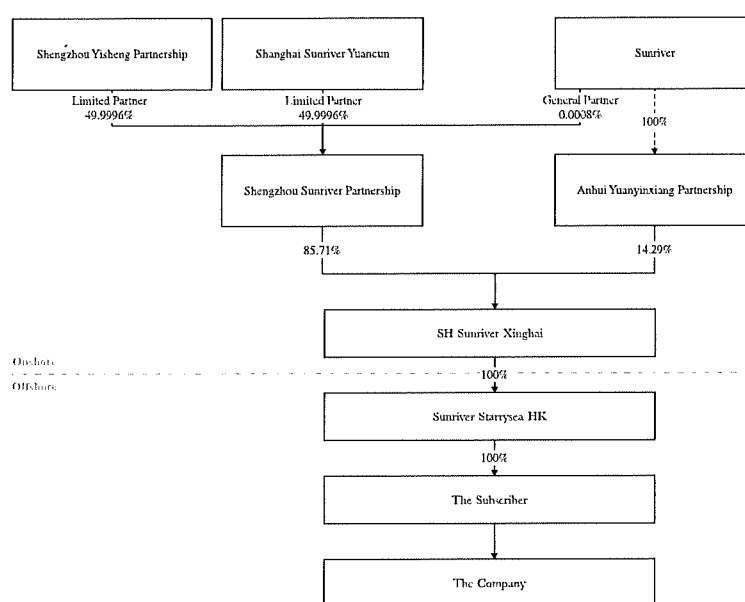
Based on the above analysis, we noted that the Group had recovered from the pandemic with a significant increase in revenue in FY2023 and a stable revenue in FY2024. However, the Group faced challenges as a result of the changes in the customers' spending and challenging market environment, evidenced by the decline in per-capita spending and weak secondary consumption of the Group's customers as compared to year 2019 before the pandemic. The improvement in the tourism industry of the PRC as evidenced by the increase in number and spending of domestic tourists also did not translate into a corresponding increase in the Group's revenue during FY2024 as a result of the deterioration in liquidity position of the Group and the lower average fee level of the Zhengzhou Park in the early stage of operation. The financial position of the Group deteriorated in FY2024 as compared to FY2023. The Group recorded an increased loss attributable to owners of the Company in FY2024 which equals to around 3.75 times of loss attributable to owners of the Company in FY2023. Liquidity position of the Group also deteriorated in FY2024, with a significant increase in net debt to equity ratio of approximately 155.10 percentage points and a significant decrease in cash and cash equivalents of approximately RMB1.64 billion at the end of the year, as compared to FY2023.



2. Information on the Subscriber and Sunriver

2.1. The Subscriber

As set out in the section headed “3. INFORMATION ON SUNRIVER AND THE SUBSCRIBER” of the Board Letter, the Subscriber is a company incorporated under the laws of Cayman Islands with limited liability, which is indirectly wholly controlled by Sunriver. It is a special purpose vehicle incorporated for the purpose of subscribing for the Subscription Shares and assumes the relevant obligations under the Subscription Agreement. The shareholding structure of the Subscriber as at the Latest Practicable Date is illustrated in the diagram below:



The Subscriber is wholly-owned by Sunriver Starrysea HK, which is in turn wholly-owned by SH Sunriver Xinghai. SH Sunriver Xinghai is owned as to approximately 85.71% by Shengzhou Sunriver Partnership and 14.29% by Anhui Yuanyinxiang Partnership.

Shengzhou Sunriver Partnership is a limited partnership established in the PRC. Sunriver is the general partner, and Shanghai Sunriver Yuancun and Shengzhou Yisheng Partnership are the limited partners of Shengzhou Sunriver Partnership. Sunriver as the general partner is responsible for the daily management and operations of Shengzhou Sunriver Partnership, including but not limited to decisions relating to investment, use of proceeds and expenses and daily operations. Regarding Shanghai Sunriver Yuancun, it is an indirect wholly-owned subsidiary of Sunriver. On the other hand, based on the public information available, Shengzhou Yisheng Partnership is a limited partnership which is ultimately wholly-owned by the Shengzhou Municipal Finance Bureau (嵊州市財政局).

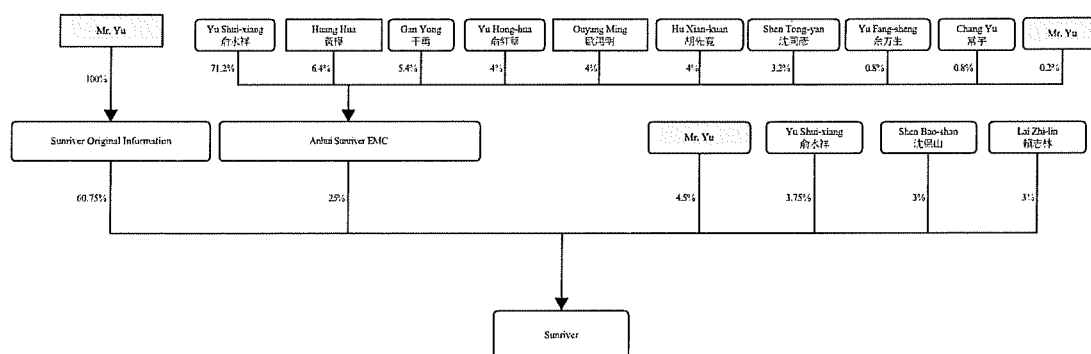


Anhui Yuanyinxiang Partnership is a limited partnership established in the PRC. Hefei Kunyou, a direct wholly-owned subsidiary of Sunriver, is the general partner, and Sunriver is the limited partner of Anhui Yuanyinxiang Partnership. It is owned as to approximately 99.99% by Sunriver and 0.01% by Hefei Kunyou.

For further details of the structure, capital contribution amount and information of partners of Shengzhou Sunriver Partnership and Anhui Yuanyinxiang Partnership, please refer to the section headed “3. INFORMATION ON SUNRIVER AND THE SUBSCRIBER” of the Board Letter.

2.2. Sunriver

As set out in the section headed “3. INFORMATION ON SUNRIVER AND THE SUBSCRIBER” of the Board Letter, Sunriver is a company established under the laws of the PRC and its primary business focuses on investing in and operating multiple companies within the cultural tourism sector. It is the actual controller of Zhejiang Sunriver Culture Tourism Co., Ltd 浙江祥源文旅股份有限公司 (stock code: 600576.SH) (“**Zhejiang Sunriver**”) and Anhui Gourgen Traffic Construction Co., Ltd. 安徽省交通建設股份有限公司 (stock code: 603815.SH) (“**Anhui Gourgen**”). The shareholding structure of Sunriver as at the Latest Practicable Date is illustrated in the diagram below:



As at the Latest Practicable Date, Sunriver is therefore ultimately controlled as to 65.3% by Mr. Yu (Mr. Yu Fa-xiang (俞發祥)).



2.3. Zhejiang Sunriver and Anhui Gourgen

As mentioned above, Sunriver is the actual controller of Zhejiang Sunriver and Anhui Gourgen. We have reviewed the 2024 annual reports of each of Zhejiang Sunriver and Anhui Gourgen and noted that (i) Sunriver was interested in an aggregate of approximately 58% interest in Zhejiang Sunriver as at 31 December 2024; and (ii) Sunriver directly held approximately 44% of the total issued shares in Anhui Gourgen as at 31 December 2024. Zhejiang Sunriver is principally engaged in tourism services and recorded a revenue of approximately RMB864 million and a net profit attributable to owner of the company of approximately RMB147 million for FY2024. Anhui Gourgen is principally engaged in construction services and recorded a revenue of approximately RMB4 billion and a net profit attributable to owner of the company of approximately RMB130 million for FY2024.

2.4. Future intentions of the Subscriber regarding the Group

As set out in the section headed “9. FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP AND REASONS FOR THE SUBSCRIBER’S SUBSCRIPTION” of the Board Letter, as at the Latest Practicable Date, the Company (i) had no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) to downsize or dispose of the existing business; and (ii) did not expect to enter into any other arrangement or transaction with the Subscriber and or its associate apart from the Subscription. Upon Completion, the Subscriber will become a controlling shareholder (as defined under the Listing Rules) of the Company. The Subscriber intends to continue the existing principal businesses of the Group. Save for the personnel changes disclosed below, the Subscriber has no intention to introduce any major changes to the existing operation and business of the Company, including to (i) discontinue the employment of any employees of the Group other than in the ordinary course of business; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

It is expected that there will be a change in composition of the Board after Completion and the Company shall cooperate in completing the change in the composition of the Board and the replacement of senior management personnel of the Company. As at the Latest Practicable Date, the Subscriber and the Company have not decided on the changes to be made.



3. Reasons for and benefits of the Subscription and use of proceeds

We have reviewed the sections headed “5. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS” and “9. FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP AND REASONS FOR THE SUBSCRIBER’S SUBSCRIPTION” of the Board Letter, and have also discussed with the Management regarding the reasons for and benefits of the Subscription. Further details are set out in this section below:

(i) Fundraising needs of the Group

We have reviewed the fundraising needs of the Group in terms of (a) financial performance of the Group, (b) business development of the Group, and (c) market and industry development, details of which are set out below.

a. Financial performance of the Group

The financial performance of the Group had been affected by the COVID-19 pandemic and the complex external market environment in recent years (including but not limited to positive factor of the post pandemic rebound of the consumer market in early 2023 as compared to 2022 following the easing of pandemic prevention and control measures; and the negative factors including (i) the continued sluggish stock and property market in 2024 which affected consumers’ desire to spend; (ii) tighter financing environment which increased the difficulty in financing and caused surging finance costs, creating financial pressure to the Group in project development and transformation and operation improvement; and (iii) the impact brought by platform economy and traffic mechanisms, including the shift of consumers’ focus to social media platform and the increase in influence in social media platform in driving sales, forcing the Group to continue to invest in online marketing and private domain on different social media platforms (e.g. building up of different official channels, and operating and promoting official mini programs or livestream rooms) to adapt to the trend of traffic fragmentation, which increased marketing and management costs). As a result, the Company’s business recovery has lagged behind expectations, resulting in sustained operating losses and phased liquidity pressure. As discussed in the section headed “1. Information on the Group” of this letter above, the Group faced a downturn in its operation and financial performance in FY2022 as a result of the resurgence of the COVID-19 pandemic. Business of the Group rebounded in FY2023 as a result of recovery of the tourism and leisure market in the PRC, and the Group recorded significant increase in revenue. The Group had recorded a substantial reduction in net loss during FY2023 despite still recording a net loss position. However, the Group faced challenges as a result of the changes in the customers’ spending and challenging market environment, evidenced by the decline in per-capita spending and weak secondary consumption of the Group’s customers. The Group maintained a stable level of revenue during FY2024; however, the net loss of the Group increased from



approximately RMB181.9 million in FY2023 to approximately RMB749.5 million in FY2024. There was also a significant increase in the Group's net debt to equity ratio from approximately 182.53% as at 31 December 2023 to approximately 337.63% as at 31 December 2024. We also noted that the Group's level of cash and cash equivalents decreased from approximately RMB1.7 billion as at 31 December 2023 to approximately RMB64.7 million as at 31 December 2024, representing a more than 90% decrease. Further details of our analysis on the financial information of the Group are set out in the section headed "1.2 Financial information" of this letter above.

As illustrated in the section headed "6. Financial effects of the Subscription" of this letter below, the Subscription is expected to improve the financial position of the Group. In particular, the net debt to equity ratio is expected to decrease from approximately 337.63% as at 31 December 2024 to approximately 100.56% as if the Subscription had been completed on 31 December 2024.

b. Business development of the Group

The Group is engaged in theme park business. A flagship project, Zhengzhou Haichang Ocean Park, opened in the second half of 2023 and the Group owned and operated seven tourism and leisure projects as at the end of 2024. The Group is also developing its OAAS business and IP(s) operations (being the operation and commercialization of IP product), which helps the Group to build an asset-light operation through OAAS and develop its business model of "IP + tourism & leisure" (being the integration of high-quality IPs into leisure activities, using theme parks as traffic hubs to enhance visitor experiences and drive revenue through diverse consumption options). These two new business segments will be the new engine for the Group's future development. The Group will continue to develop its theme parks, and will also work towards advancing its OAAS business and introducing internationally renowned IPs to empower the operation of theme parks and OAAS business. For example, the Group is working on the development of, among others, its Beijing Haichang Ocean Park Project (currently at construction stage, expected completion in the second half of 2027), Fuzhou Haichang Ocean Park Project (currently at planning stage, expected completion in 2028), Ningbo and Saudi Arabia Haichang Ocean Park Project (both currently at early planning stage). Under such projects, the Group is cooperating with its business partners, who will make necessary capital investment, such as land acquisition and property development, while the Group is responsible for operations and management of the projects. Accordingly, the Management expects that the investments in the aforesaid new projects would be significantly lower than Group's previous asset-heavy model projects. Apart from the use of net proceeds from the Subscription (details of which are set out in the sub-section headed "(iv) use of proceeds" below), as advised by the Management, there is no additional financing demand based on current estimation. The Group will only agree to jointly commence the design and development of the project with its business partners after entering into legally



binding cooperation agreements which clearly stipulate the Group's exclusive operating rights, and obtain service income in the process. As advised by the Management, the business partners chose to cooperate with the Group mainly due to its brand and operational capabilities, and accordingly agreed to ensure that the Group will become the exclusive operator in the future through the execution of such agreements.

As advised by the Management, the partnership between the Company and Sunriver (being the parent company of the Subscriber) aims to create a synergistic effect by complementing product forms, coordinating regional layouts, sharing customer advantages, and iterating business models. The combination of the Group's marine content and IP operation and Sunriver's leisure vacation experiences will facilitate cross-conversion of offline customer groups and cover visitors of all ages and different consumption scenarios.

c. Market and industry development

Tourism and leisure industry in China was affected in recent years as a result of the COVID-19 pandemic and recovered following the easing of epidemic prevention and control measures in 2023. The market still faces uncertainties under the aforesaid complicated external market environment. On the other hand, Chinese government heightened its focus on cultural and tourism consumption. As advised by the Management, since 2024, from the Smart Tourism Innovation and Development Action Plan (《智慧旅遊創新發展行動計劃》) to the Opinions on Promoting High-Quality Development of Service Consumption (《關於促進服務消費高質量發展的意見》) as published by the PRC government, a series of policies have formed a multi-pronged strategy of “boosting demand + innovating supply + optimizing environments” which encourages upgrade of tourism facilities, development of smart tourism enterprises and the spending in tourism. As set out in the section headed “5. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS” of the Board Letter, as the PRC government places “vigorous stimulation of consumption” at the top of its agenda and rolls out a series of consumption-stimulating policies in 2023 to 2025 such as the Notice for Restoring and Expanding Consumption* (《關於恢復和擴大消費的措施》), Opinions on Promoting High-Quality Development of Service Consumption* (《關於促進服務消費高品質發展的意見》), Notice of the Several Measures for Further Fostering New Growth Points and Promoting Cultural and Tourism Consumption* (《關於進一步培育新增長點繁榮文化和旅遊消費的若干措施》) and Special Initiatives to Boost Consumption* (《提振消費專項行動方案》), these policies not only help restore consumer confidence and spending power, but also invigorate tourism consumption, further underscore the important role of cultural-tourism consumption in driving high-quality economic development, and provide a solid policy foundation and vast market space for the future growth of the cultural-tourism industry, the industry in which the Group operates.



We have also performed research on Chinese tourism related data. Based on information announced by the Ministry of Culture And Tourism of the PRC (中華人民共和國文化和旅游部), the number of domestic tourists in 2024 reached 5.615 billion, a YOY increase of 14.8% over the same period last year. The total spending of domestic tourists was RMB5.75 trillion, a year-on-year increase of 17.1% over the previous year. Set out below is data of domestic tourists in the PRC in different holiday periods in 2025:

	Number of domestic tourists		Spending of domestic tourists	
	Number	YOY increase	Amount	YOY increase
Spring Festival	501 million	5.9%	RMB677.0 billion	7.0%
Ching Ming Festival	126 million	6.3%	RMB57.5 billion	6.7%
Labour Day	314 million	6.4%	RMB180.3 billion	8.0%
Tuen Ng Festival	119 million	5.7%	RMB42.7 billion	5.9%

Source: Ministry of Culture And Tourism of the PRC (中華人民共和國文化和旅游部)

Our view

Against the backdrop of the above factors, including but not limited to (i) the deterioration in the Group's profitability in FY2024; and (ii) the significant increase in the Group's net debt to equity ratio and significant decrease in the Group's level of cash and cash equivalents in FY2024, the Management considers that the Group needed to raise funds to improve its liquidity position and to support the future development of its businesses. While the Group has already taken initiatives to improve its business and operations, including but not limited to the development of OAAS business and IP-operations, such initiatives will take time to implement and bring in effects. On the other hand, with the introduction of different policies by the Chinese government and the improvement in domestic tourism, the Company considers that there is a solid policy foundation while unlocking vast market potential for the Group's future development. We also noted that the tourism market of the PRC had improved in FY2024 as evidenced by the increase in number and spending of domestic tourists. However, such increases did not translate into a corresponding increase in the Group's revenue during FY2024 as a result of the deterioration in liquidity position of the Group and the lower average fee level of the Zhengzhou Park in the early stage of operation. Despite facing short-term liquidity constraints and profitability pressures, the Group maintains a steadfast strategic confidence in the future development prospects of China's tourism industry. The Company is also of the view that to seize the current window of opportunity, facilitating immediate capital inflow through the issuance of new shares to introduce



a new controlling shareholder is required. Having taken into account our above analysis, we are also of a view that the Group was in a need to raise funds to improve its financial position and to capture the industry trend to further develop its businesses.

(ii) Background of the Subscriber and Sunriver

As set out in the section headed “2. Information on the Subscriber and Sunriver” of this letter above, the Subscriber is controlled by Sunriver which focuses on investing in and operating multiple companies within the cultural tourism sector. We noted that Sunriver is the actual controller of two listed companies on the Shanghai Stock Exchange, namely Zhejiang Sunriver and Anhui Gourgen. Both Zhejiang Sunriver and Anhui Gourgen recorded net profit for FY2024, and Zhejiang Sunriver is principally engaged in tourism services while Anhui Gourgen is principally engaged in construction services. We have discussed with the Management and they believe that with the extensive experience and resources of Sunriver in the industry, the Subscription would enable the Company to further leverage its core advantages in oceanic cultural resources and mature operation management, and continue to strengthen its businesses such as theme park operation, so as to develop into a more comprehensive tourism-cultural enterprise.

(iii) Future intentions of the Subscriber regarding the Group and reasons for the Subscriber's Subscription

As set out in the section headed “2.4 Future intentions of the Subscriber regarding the Group” of this letter above, the Subscriber intends to continue the existing principal businesses of the Group, and save for the personnel changes disclosed in the section headed “10. Proposed Change in Board Composition” of the Board Letter, the Subscriber has no intention to introduce any major changes to the existing operation and business of the Company. We also noted from the section headed “9. FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP AND REASONS FOR THE SUBSCRIBER'S SUBSCRIPTION” of the Board letter that the Subscriber shares the view of the Directors regarding the reasons for and benefits of the Subscription. The Subscriber also has several additional considerations including (a) irreplaceable unique advantages possessed by the Company in the industry, such as the seven cultural tourism projects themed around marine culture in major central and tourist cities and that the Company was the world's first theme park operator to bring the international IP “Ultraman” to life in a real-world entertainment setting, demonstrating outstanding product innovation capabilities; (b) current valuation of the Company is at a low point with high certainty of investment returns; (c) high-quality industry operations and management capabilities; and (d) synergy effects between the Group and Sunriver.



(iv) Use of proceeds

The gross proceeds and net proceeds from the Subscription are expected to be approximately HK\$2,295 million and HK\$2,284 million respectively. The Directors consider the certainty and timeliness of this capital raise to be important and this capital is intended to support the Company's ongoing operations, business development, and financial flexibility. The proceeds from the Subscription will also provide the Company with much-needed liquidity to support daily operations, replenish working capital, promote the development of its core business, and repay part of its existing debts. This immediate capital injection is critical for stabilizing the Company's financial position and supporting its ongoing business development.

The Board intends to apply the net proceeds from the Subscription as follows: (i) 20% will be used to support the daily operations of the Group and replenish working capital, (ii) 40% will be used to promote the development of the Company's core business (including theme park operations, OAAS and IP), with such initiatives expected to be completed within 1 to 2 years, and (iii) 40% will be used to repay part of the existing debts, of which 30% will be applied towards repayment of principal and interest to banks and financial institutions, and 10% will be used to settle payables to suppliers and project-related debts. This repayment is expected to be completed within 1 to 2 years.

We have discussed with the Management and understand that the Company's development of the core businesses will include.

Theme Park Operations:

The Company intends to continue the development of Phase II of the Zhengzhou project, which is expected to commence operations in 2026, as well as the upgrade and renovation of other projects under the Group. These upgrades will include the introduction of various leading domestic and international IPs into immersive in-park entertainment, the renovation of theme hotels, upgrades to food and beverage and retail facilities both inside and outside the parks, enhancements to supporting service facilities, the introduction of large signature rides and attractions, and the development of smart park systems.

OAAS:

Under this business model, the Company's business partners are responsible for major capital expenditures, such as land acquisition and property development, while the Company is responsible for operations and management. To ensure the attractiveness of its projects and maintain long-term cooperative relationships with partners, the Company needs to invest in pre-opening preparations and operations. The Phase II project in Shanghai has completed its main structural capping and is scheduled to open in 2026. The Beijing project has commenced construction and is scheduled to open in 2027. Fuzhou, Nanjing, Ningbo, Saudi Arabia and other projects are also under continuous planning and reserve expansion.



IP Operation:

In addition to its self-operated parks, the Company has successfully introduced Ultraman IP-themed pavilions to third-party destinations, such as the Dalian Forest Zoo, and has already launched IP-themed stores in shopping malls. The Company plans to select high-quality commercial properties and scenic locations nationwide to rapidly deploy corresponding IP products. These product formats include IP hotels, IP-themed pavilions and stores. The goal is to continuously expand brand influence and scale up the IP business in the PRC.

Our view

As set out above, the net proceeds from the Subscription will be used as to 20% for supporting the Group's daily operation, 40% for business development of the Group and 40% for repayment of debts. As discussed in the section headed "1.2. Financial information" above, the Group faced deterioration in profitability liquidity in FY2024, in particular, the Group had recorded an increase of approximately 275.00% in loss attributable to owners of the Company in FY2024 and a deteriorating net debt to equity ratio of approximately 337.63% as at 31 December 2024. We agree with the Management that net proceeds have to be used to support the Group's daily operations and to repay debts to improve the Group's financial position. Also, as mentioned in the sub-section headed "(i) Fundraising needs of the Group" above, the Group also needs funds to capture the industry trend to further develop its businesses. Based on our discussion with the Management and the analysis on the use of proceeds as set out above, we also concur with the Management that it is appropriate for the Group to utilise part of the net proceeds from the Subscription in business development of the Group as mentioned above.

(v) *Other ways of financing*

We have also discussed with the Management and understand that they have considered other ways of financing before arriving at the Subscription. As set out in the section headed "5. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS" of the Board Letter, despite making in-depth attempts in the following areas, these efforts have not been successfully implemented prior to the Subscription due to objective conditions:

- a. *Syndicated loan restructuring negotiations:* Throughout 2024, the Company engaged in multiple rounds of communication and restructuring negotiations with the member banks of the original Shanghai project syndicate regarding existing loan arrangements. However, due to the Company's high overall debt ratio, the syndicate remained cautious about the loan risk exposure post-restructuring for non-state-owned enterprises;



- b. *Exploration of public REITs issuance:* The Company also explored the feasibility of issuing infrastructure REITs for certain mature cultural and tourism assets, aiming to revitalise quality assets and broaden financing channels. During the evaluation process, it was found that the relevant supporting policies are still being refined, and the cultural and tourism projects have not yet established a market-recognised valuation system in terms of asset pricing, lease stability, and cash flow predictability. The Company concluded that the current conditions are not mature enough and ultimately decided not to proceed with the public issuance;
- c. *Equity transfer:* The Company's controlling shareholder engaged in preliminary negotiations to transfer controlling rights to a well-known domestic cultural and tourism group, intending to leverage its brand, capital, and resource advantages to enhance the Company's overall competitiveness. However, after an in-depth assessment of the Company's operating conditions and capital needs, the potential investor determined that merely transferring equity would not provide substantial incremental capital support and would not fundamentally resolve the Company's current capital difficulties;
- d. *Introduction of strategic investors through convertible bonds:* The Company also discussed structural financing plans for issuing convertible bonds with some potential investors, aiming to introduce medium- to long-term strategic shareholders. However, after multiple rounds of evaluation and negotiations, the relevant parties concluded that the scale of the convertible bonds would not support the Company's sustainable development for the next few years; and
- e. *Rights issue/open offer:* A rights issue or open offer, both of which require existing shareholders to inject additional capital, may not be successful if shareholders are unwilling or unable to subscribe for new Shares. The Company recognized that, given its high overall debt ratio and recent financial performance, there was a significant risk that a rights issue or open offer would not be fully subscribed, potentially leaving the Company with insufficient new capital and a weakened share price.

Our view on the reasons for and benefits of the Subscription

Taking into account the above, in particular that (1) the Subscription will bring in fundings for the Group to improve its working capital, reduce financial costs and support the Company in continuing to advance the upgrading and transformation of its existing projects and enhancing park operating efficiencies; (2) the Subscription, will introduce a new controlling Shareholder, which will effectively provide the Company with additional strategic development resources; (3) the benefits to be brought into the Group with the expected usage of proceeds as discussed above, we consider that although the Subscription is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.



4. Principal terms of the Subscription

Set out below are the principal terms and conditions of the Subscription Agreement, details of which are set out in the section headed “2. THE SUBSCRIPTION AGREEMENT” of the Board Letter:

Date

2 June 2025

Parties

- (1) Issuer: The Company; and
- (2) Subscriber: Sunriver Starrysea Tourism (Cayman) Co., Ltd.
- (3) Sunriver: Sunriver Holding Group Co., Ltd. (祥源控股集團有限責任公司)

The Subscriber and its ultimate beneficial owner are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules).

The Subscription Shares

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 5,100,000,000 new Shares at the Subscription Price of HK\$0.45 per Subscription Share to the Subscriber, with an aggregate consideration of HK\$2,295,000,000 payable by the Subscriber to the Company upon Completion. The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be obtained from the Independent Shareholders at the EGM. The Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

The Subscription Shares represents (i) approximately 62.85% of the existing issued share capital of the Company as at the date of the Subscription Agreement; and (ii) 38.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is US\$255,000.

The Subscription Price

The Subscription Price is HK\$0.45 per Subscription Share. Further details of our analysis of the Subscription Price, including but not limited to comparison between the Subscription Price and market price, are set out in the section headed “5. Analysis of the Subscription Price” of this letter below.



Conditions precedent

Completion of the Subscription shall be conditional upon satisfaction (or waiver) (if applicable) of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (either unconditionally or subject to conditions which are acceptable to both parties);
- (b) the Executive granting the Whitewash Waiver, and the Whitewash Waiver not being revoked or withdrawn;
- (c) the Subscriber and the Company having completed internal decision-making procedures and obtained internal approvals (including but not limited to board approvals and the passing of the necessary resolutions at the duly convened EGM by (i) the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and (ii) the Shareholders to approve the Increase in Authorised Share Capital), in accordance with applicable laws, regulations, and internal rules for the Subscription, the Whitewash Waiver and the Increase in Authorised Share Capital;
- (d) the Subscriber and the Company having obtained all relevant regulatory approvals for the Subscription, i.e., the clearance from the Executive and the Stock Exchange in respect of the shareholders' circular to be despatched for the purpose of, inter alia, the Subscription;
- (e) the Subscriber having completed the necessary external approval procedures for the funds required for the Subscription and made arrangements for the delivery of the Subscription Shares in Hong Kong, including but not limited to completing the necessary ODI (Overseas Direct Investment) approvals/filings with the Commission of Commerce, the Development & Reform Commission and the State Administration of Foreign Exchange (as applicable) in the PRC;
- (f) the Company having obtained consent from banks and other major financial institutions, as well as relevant government departments, or having fulfilled notification obligations (if applicable) regarding the Subscription; and the Company having obtained written waivers from relevant parties (if applicable) to ensure that the normal conduct of the Company's existing business will not be affected, including but not limited to consents and waivers to be obtained from banks, financial institutions, and government authorities to prevent a breach of change-of-control provisions under certain loan agreements and project agreements, as well as notification to the Company's business partners under certain operating contracts in respect of the change-of-control; and



- (g) the Subscriber having completed the filing of the concentrations of undertakings of the PRC under the Subscription Agreement to the State Administration for Market Regulation (if required), and the Company having confirmed that it will provide assistance.

Conditions (a) to (e) and (g) cannot be waived and condition (f) can be waived by Sunriver and the Subscriber. If the above conditions precedent are not satisfied or waived (if applicable) on or before the Long Stop Date or such later date as may be agreed among the parties in writing, the Subscription Agreement will be terminated and neither party to the Subscription Agreement may have any claim against each other save for antecedent breaches. Therefore, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

As at the Latest Practicable Date, condition (d) and the board approvals requirement under condition (c), and the concentration of undertakings filing requirement under condition (g) have been satisfied, while conditions (a) and (b), as well as the Independent Shareholders' and Shareholders' approvals under condition (c), have not yet been satisfied. The ODI approvals/filings under condition (e) are being reviewed by the relevant PRC authorities. The Subscriber has been in regular contact with the relevant PRC authorities to follow up on the approval status. As at the Latest Practicable Date, the Subscriber is in the process of preparing supplemental documents based on the feedback received and will arrange to submit them as soon as possible. Barring any unforeseen circumstances, the Subscriber does not expect any impediment in obtaining these ODI approvals/filings. Based on its communication with the relevant PRC authorities, it is expected that condition (e) will be fulfilled by the end of August.

In relation to condition (f), the Subscription aims to improve liquidity and pursue high-quality, sustainable development, which will benefit the Company's future stable operations and performance growth. The interests of banks and government institutions have been fully safeguarded. As at the Latest Practicable Date, the Company had requested and continued to communicate with the relevant parties to obtain all necessary consents and waivers. Currently, the Company is not aware of any legal impediments or other circumstances that would prevent it from obtaining such consents or waiver.

Completion

Completion shall take place on the third Business Day after satisfaction or waiver (if applicable) of the last of the conditions precedent to the Subscription Agreement or at such date and time as agreed by the Company and the Subscriber (the "**Completion Date**"). At Completion, among other things, (i) the Subscriber shall make full payment of the consideration of HK\$2,295,000,000 in immediately available funds by direct transfer to the Company's designated bank account; and (ii) the Company shall allot and issue the Subscription Shares to the Subscriber.



Post-Completion Management

After Completion, the Company shall cooperate in completing the change in the composition of the Board and the replacement of senior management personnel of the Company.

5. Analysis of the Subscription Price

We have performed different analyses on the Subscription Price, details of which are set out in this section below. For details of our view on the Subscription, including but not limited to the Subscription Price, please refer to the section headed “8. Our view on the Subscription” of this letter.

5.1. Comparison of the Subscription Price to market price

As set out in the Board Letter, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber after taking into account the prevailing market price of the Shares and the financial condition of the Group.

The Subscription Price of HK\$0.45 per Subscription Share represents:

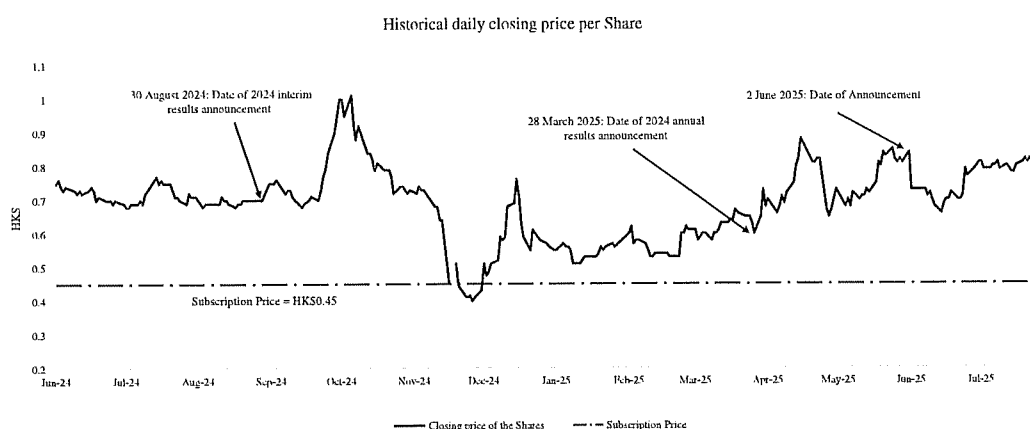
- (i) a discount of approximately 44.44% to the closing price of HK\$0.8100 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 46.43% to the closing price of HK\$0.8400 per Share as quoted on the Stock Exchange on 2 June 2025, being the date of the Subscription Agreement (the “**Last Trading Day**”);
- (iii) a discount of approximately 45.12% to the average closing price of approximately HK\$0.8200 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.32% to the average closing price of approximately HK\$0.823 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 41.23% to the average closing price of approximately HK\$0.7657 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the Last Trading Day;
- (vi) a discount of approximately 36.26% to the average closing price of approximately HK\$0.7060 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to the Last Trading Day;



- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 17.9167%, represented by the theoretical diluted price of approximately HK\$0.6895 per Share to the benchmarked price of approximately HK\$0.8400 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Subscription Agreement of HK\$0.8400 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.8220 per Share); and
- (viii) a premium of approximately 99.95% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.2251 (based on the latest published audited consolidated net assets attributable to the Shareholders of approximately RMB1,722,760,000 (equivalent to approximately HK\$1,826,126,000) as disclosed in the annual results of the Company as at 31 December 2024 and 8,114,002,000 issued Shares as at the date of the Subscription Agreement).

5.2. Share price performance

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 June 2024, being approximately one year prior to the date of the Subscription Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). In performing our analysis, we consider appropriate to review the performance of the Shares over a period of time to reflect the recent market performance, and at the same time avoiding a too long period which may not be meaningful for arriving at our conclusion as at the date of this letter. We consider that the Review Period of approximately one year represents an appropriate period of time to provide a general overview on the recent market performance of the Shares, and is sufficient to provide a meaningful analysis. The comparison of daily closing price of the Shares and the Subscription Price is illustrated as follows



Source: The Stock Exchange's website



During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.01 recorded on 7 October 2024 and HK\$0.40 recorded on 28 November 2024 respectively, and the average closing price of the Shares was approximately HK\$0.69.

The closing price of the Shares fluctuated between HK\$0.68 and HK\$0.77 since the start of the Review Period from 3 June 2024 to 23 September 2024. After that, the closing price of Shares increased sharply, reaching the peak at HK\$1.01 on 7 October 2024. From 8 October 2024 to 28 November 2024, the closing price of Shares was on a general decreasing trend, reaching the low at HK\$0.40 on 28 November 2024. As advised by the Management, the aforesaid movement of the closing price of the Shares from late September 2024 to late November 2024 is generally in line with the overall stock market performance in Hong Kong. Since then, the closing price of the Shares showed a general increasing trend again, reaching HK\$0.88 on 17 April 2024. During the period from 22 April 2025 to 2 June 2025, being the date of the Subscription Agreement, the closing price of the Shares fluctuated between HK\$0.65 and HK\$0.85.

During the 283 trading days in the Review Period, the Subscription Price was lower than the closing price of the Shares in 274 trading days.

5.3. Comparison with other comparable transactions and comparable companies

Comparable transactions

As part of our analysis, we have searched on the website of the Stock Exchange to identify transactions involving subscription of new shares by new investor(s) under specific mandate for cash with whitewash waiver application (excluding transactions which were terminated/lapsed, transactions by prolonged suspension company with trading suspended for more than three months at the time of the subscription agreement, and transactions involving non-Stock Exchange listed securities) which were announced by companies listed on the Stock Exchange (the “**Comparable Issues**”) during the period from 3 June 2024 up to 2 June 2025, being a period of one year prior to and including the date of the Subscription Agreement. We consider that the selection period of one year is fair and reasonable to identify Comparable Issues conducted by other companies under similar market conditions. Nevertheless, we could only identify two transactions which met the said criteria. Given the sample size, we consider that the comparable transactions analysis is impracticable in this case.



Comparable companies

As mentioned earlier, the Company is principally engaged in the theme park business. We consider that an analysis of the Subscription Price based on companies comparable to the Company will be meaningful to the Independent Shareholders as such analysis will demonstrate how the Subscription Price compared to the pricing of other companies comparable to the Company.

In view of the above, we conducted a research to identify companies which (a) are listed on the Stock Exchange; and (b) generated 50% or more of their revenue from the operation of amusement park and/or theme park related facilities in the PRC based on information available from their latest published annual report. For the purpose of our analysis, we have excluded companies which are subject to offer and/or under restructuring and prolonged suspension companies with trading suspended for more than three months as at the Latest Practicable Date as the trading prices of such companies would have been affected by the existence of a possible transaction or may not represent the latest share prices of such companies under regular trading by the public. Based on the above criteria, we have identified one comparable company (the “**Directly Comparable Company**”), namely China Travel International Investment Hong Kong Limited (stock code: 308). Details of the comparison of the Subscription Price with the trading multiples of the Directly Comparable Company are set out in this section below.

In addition to the Directly Comparable Company, we consider that it is also meaningful to perform our analysis on the Subscription Price with listed companies that are listed on other developed markets other than the Stock Exchange. In this regard, we have extended our abovementioned search criteria to cover listed companies in developed markets which generated 50% or more of their revenue from the operation of amusement park and/or theme park related facilities without limitation on the geographic segmentation, and we have identified four additional comparable companies (the “**Indirectly Comparable Companies**”, together with the Directly Comparable Companies, the “**Comparable Companies**”). Although the Indirectly Comparable Companies are listed on different stock markets and may have different principal places of businesses with different client base, we consider such analysis to be meaningful for the Independent Shareholders as (a) the Indirectly Comparable Companies are engaging in the same industry with similar business model of the Company; (b) the Indirectly Comparable Companies are listed on other developed markets and that the trading multiples would be able to demonstrate the pricing by public investors in such developed markets on companies comparable to the Company; and (c) it will be able to provide the Independent Shareholders with information about how the Subscription Price compares to the pricing of companies engaging in the same industry and sharing similar business models.



The Comparable Companies listed in this section below is an exhaustive list based on our abovementioned selection criteria and represent a fair and representative list of Comparable Companies for the purpose of our analysis. We consider that our analysis on the Subscription Price based on the Comparable Companies is appropriate to provide the Independent Shareholders with appropriate information for the assessment on the Subscription Price, having considered that (a) comparison with the Directly Comparable Company provides the basis for the Independent Shareholders to assess the Subscription Price with reference to pricing of company that is directly comparable to the Company, with operation and place of listing the same as those of the Company; and (b) inclusion of the Indirectly Comparable Companies allows the analysis to be more comprehensive without placing too much weight on just one single Directly Comparable Company, while the trading multiples of the Indirectly Comparable Companies would provide the Independent Shareholders with information about the pricing of companies engaging in the same industry with similar business model by public investors in other developed markets.

In assessing the fairness and reasonableness of the Subscription Price, we did not consider the price-to-earnings ratio as the Group recorded net loss attributable to owners of the Company for the past three years in FY2022 to FY2024. Instead, we have compared between the price-to-book ratio (“**P/B Ratio**”) and the price-to-sales ratio (“**P/S Ratio**”), which are commonly adopted trading multiples for analysis, of the Group implied by the Subscription Price against those of the Comparable Companies. The comparison of the P/B Ratio and the P/S Ratio of the Company (as implied by the Subscription Price) with those of the Comparable Companies is set out below.

Comparable Companies (stock code)	Principal business (Note 1)	Location of principal business (Note 1)	P/B Ratio (Note 2)	P/S Ratio (Note 2)
China Travel International Investment Hong Kong Limited (308)	Operation of tourism attraction and related business	Hong Kong and Mainland China	0.63	2.18
United Parks & Resorts Inc. (NYSE: PRKS)	Theme park and entertainment business	United States of America	N/A (note 3)	1.70
Six Flags Entertainment Corporation (NYSE: FUN)	Theme and water park operation	United States of America	1.73	0.93
Coast Entertainment Holdings Ltd. (ASX: CEH)	Operation of leisure and entertainment facilities	Australia	0.67	1.80



Comparable Companies (stock code)	Principal business (Note 1)	Location of principal business (Note 1)	P/B Ratio (Note 2)	P/S Ratio (Note 2)
Sim Leisure Group Ltd. (SP: URR)	Design, contracting, management, planning and operation of theme and water parks	Malaysia and Saudi Arabia	3.01	2.09
	Maximum		3.01	2.18
	Minimum		0.63	0.93
	Average		1.51	1.74
The Subscription			1.99 (Note 4)	1.89 (Note 5)

Notes:

1. Based on information from the Stock Exchange's website, Bloomberg and annual reports of the Comparable Companies
2. The P/B Ratio and P/S Ratio of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date
3. United Parks & Resorts Inc. recorded net liabilities based on the latest published financial report as at the Latest Practicable Date
4. The implied P/B Ratio of the Subscription is calculated by dividing the Subscription Price with the Group's net assets value per Share (as calculated by the Group's net assets attributable to the owners of the Company divided by the total issued Shares as at 31 December 2024)
5. The implied P/S Ratio of the Subscription is calculated by dividing the Subscription Price with the Group's revenue per Share (as calculated by the Group's revenue for FY2024 divided by the total issued Shares as at 31 December 2024)
6. Figures are subject to rounding

The P/B Ratio of the Directly Comparable Company is 0.63 times, and together with the Indirectly Comparable Companies, the P/B Ratios of all the Comparable Companies range from approximately 0.63 times to approximately 3.01 times, with an average of approximately 1.51 times. The implied P/B Ratio of the Subscription of approximately 1.99 times is within the range of P/B Ratios of the Comparable Companies and is higher than the average P/B Ratio of the that of the Comparable Companies and the P/B Ratio of the Directly Comparable Company.

The P/S Ratio of the Directly Comparable Company is 2.18 times, and together with the Indirectly Comparable Companies, the P/S Ratios of the Comparable Companies range from approximately 0.93 times to approximately 2.18 times, with an average of approximately 1.74 times. The implied P/S Ratio of the Subscription



of approximately 1.89 times is within the range of P/S Ratios of the Comparable Companies and is higher than the average P/S Ratio of the Comparable Companies but lower than the P/S Ratio of the Directly Comparable Company.

As set out above, the implied P/B Ratio of the Subscription is higher than the P/E Ratio of the Directly Comparable Company but the implied P/S Ratio of the Subscription is lower than the P/S Ratio of the Directly Comparable Company. This may suggest that the Subscription Price compares better than the current pricing of the Directly Comparable Company in terms of P/B Ratio but not so in terms of P/S Ratio. We therefore compare the implied P/B Ratio and the P/S Ratio of the Subscription to the P/B Ratios and P/S Ratios of all the Comparable Companies for further analysis.

In terms of the comparable with all the Comparable Companies, i.e. including also the Indirectly Comparable Companies, we note that the implied P/B Ratio and the implied P/S Ratio of the Subscription are also within the ranges of those of the Comparable Companies and are higher than the average P/B Ratio and P/S Ratio of the Comparable Companies respectively. These suggest that the Subscription is not underpriced. As set out in the section above, we consider that the analysis including the Indirectly Comparable Companies is meaningful for the Independent Shareholders. We would also like to draw to the attention of the Independent Shareholders that the Indirectly Comparable Companies are listed on the New York Stock Exchange, the Australian Securities Exchange and the Singapore Exchange, where investors may have different attitudes towards valuation of companies. In this regard, we have compared the price-to-earnings ratio ("**P/E Ratio**") of the main index of the stock exchange on which the Indirectly Comparable Companies are listed and the Stock Exchange, details are set out below:

Stock exchange	Index	P/E Ratio (Note)
The Stock Exchange	Hang Seng Index	12.19
New York Stock Exchange	New York Stock Exchange Composite Index	20.17
Australian Securities Exchange	S&P/ASX200	21.33
Singapore Exchange	Straits Times Index	13.01

Note: The P/E Ratios are sourced from Bloomberg as at the Latest Practicable Date.

As set out in the table above, we note that the P/E Ratio of Hang Seng Index is lower than the P/E Ratios of all the main index of the other stock exchanges that the Indirectly Comparable Companies are listed on. We believe that our analysis on the Subscription Price against the Indirectly Comparable Companies would provide a more prudent results, and we maintain our view that the Subscription is not underpriced since the implied P/B Ratio and the implied P/S ratio of the



Subscription are higher than the average P/B Ratio and P/S Ratio of the Comparable Companies (which include both the Directly Comparable Company and the Indirectly Comparable Companies). Our view on the Subscription, including but not limited to the Subscription Price, is set out in the section headed “8. Our view on the Subscription Price” of this letter.

6. *Financial effects of the Subscription*

Upon Completion, the net proceeds from the subscription will be recognised as cash and cash equivalents. Share capital of the Company will also increase based on the number of Subscription Shares and the nominal value of the Subscription Shares. The difference between the subscription amount and the increase in share capital will be recognised as share premium of the Company.

(i) Liquidity

Upon the Completion, the Group’s working capital and liquidity positions will be improved as the cash and cash equivalents will be increased by the net proceeds of the Subscription of approximately HK\$2,295 million (equivalent to approximately RMB2,284 million).

(ii) Net asset value

According to the 2024 Annual Report, the Group had net assets attributable to the owners of the Company of approximately RMB1.72 billion and total issued shares of 8,114,002,000 as at 31 December 2024, representing a per Share amount of approximately RMB0.21. As if the Subscription had been completed on 31 December 2024, the net assets attributable to the owners of the Company would increase by the amount of net proceeds of the Subscription, and the net assets attributable to the owners of the Company would increase to approximately RMB3.87 billion as at 31 December 2024. Hence, the net assets attributable to the owners of the Company per Share would increase to approximately RMB0.29, based on 13,214,002,000 Shares in issued upon Completion.

(iii) Net debt to equity ratio

As mentioned in the sub-section headed “1.2.2. Financial position” above, the Group had net debt to equity ratio of approximately 337.63% as at 31 December 2024. As if the Subscription had been completed on 31 December 2024, the Group’s net assets would increase by the amount of net proceeds of the Subscription, and hence the net debt to equity ratio would decrease to approximately 100.56%.



7. *Effect on the shareholding interests of the public Shareholders*

The effects of the Subscription on the shareholding structure of the Company are set out in the section headed “7. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” of the Board Letter. As set out in the aforesaid section of the Board Letter, the Subscriber will be interested in approximately 38.60% of the interests of the Company upon completion of the Subscription. At the same time, the shareholding interests of the existing public Shareholders would be diluted from approximately 37.53% to 23.04%, representing a dilution of approximately 14.49 percentage points, as a result of the Subscription. We are of the view that a dilution in shareholding of existing shareholders is inevitable in equity fund raising. In this case, the Subscriber is introduced as a new controlling Shareholder which will provide the Company with additional strategic development resources. Furthermore, the liquidity position of the Group deteriorated as at 31 December 2024 with a significant decrease in level of cash and cash equivalents. The amounts raised in the Subscription will be utilised by the Group to, among other things, improve its working capital. Considering (i) the amount of funding needed by the Group; (ii) that the Subscriber is being introduced as a new controlling Shareholder; and (iii) the reasons for and benefits of the Subscription as set out in the section headed “3. Reasons for and benefits of the Subscription and use of proceeds” of this letter above, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is acceptable

8. *Our view on the Subscription Price*

Factors considered by the Board when determining the Subscription Price

We would like to draw the Independent Shareholders’ attention to the basis and factors considered by the Board when determining the Subscription Price. As set out in the sub-section headed “The Subscription Price” of the section headed “2. THE SUBSCRIPTION AGREEMENT” of the Board Letter, the Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber, with reference to the prevailing market price of the Shares and the Company’s overall circumstances. It is also stated in the aforesaid section that the Directors have also considered other factors, including (a) the Subscription Price represents a premium of approximately 99.95% to the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2024; (b) the Directors’ view that it is not uncommon for share subscriptions of this nature to be priced at a discount to market price; (c) the Subscription will provide certainty and timeliness of capital raise; and (d) the introduction of a new controlling Shareholder with relevant industry experience and resources is expected to bring additional strategic value to the Company.

Our view

Bearing the above factors in mind, we have also reviewed and analysed the financial information of the Group, the reasons for and benefits of the Subscription, the Subscription Price and the effect of the Subscription, details of which are set out in this



letter above. Based on our review and analyses, we note that the Subscription Price generally represents a discount to the closing price of the Shares during the Review Period (i.e. the Subscription Price was lower than the closing price of the Shares in most of the trading days during the Review Period (274 out of 283 days)). On the other hand, we also note that:

- (i) The Subscription Price represents significant premium of approximately 99.95% over the audited consolidated net asset value per Share attributable to owners of the Company as at 31 December 2024;
- (ii) the Subscription is not underpriced as compared to the Comparable Companies from P/B Ratio and P/S Ratio perspective having considered that although the implied P/S Ratio of the Subscription is lower than the P/S Ratio of the Directly Comparable Company, (a) the implied P/B Ratio of the Subscription is higher than the P/B Ratio of the Directly Comparable Company; and (b) both the implied P/B Ratio and the implied P/S Ratio of the Subscription are within the ranges of those of the Comparable Companies and higher than the average P/B Ratio and P/S Ratio of the Comparable Companies respectively);
- (iii) The Company's business recovery has lagged behind expectations, resulting in sustained operating losses and phased liquidity pressure. The Subscription will bring in fundings for the Group to improve its working capital, reduce financial costs and support the Company in continuing to advance the upgrading and transformation of its existing projects and enhancing park operating efficiencies;
- (iv) The Management had considered other ways of financing before arriving at the Subscription, but were not able to successfully implement such financing exercises due to objective conditions;
- (v) The Subscription will introduce a new controlling Shareholder, which will effectively provide the Company with additional strategic development resources;
- (vi) The Subscription will provide the Company with a significant and immediate capital inflow of approximately HK\$2,295 million. The certainty and timeliness of the funds are important, especially in the context of the Company's financial position and its plans for future growth and business development; and
- (vii) As illustrated in the section headed "6. Financial effects of the Subscription" above, the net assets attributable to the owners of the Company per Share and net debt to equity ratio of the Group are expected to improve as a result of the Subscription.



Having considered the above, we are of the view that the Subscription Price is fair and reasonable.

B. The Whitewash Waiver

As at the date of the Announcement and as at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it owns, controls or directs any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares. Assuming there is no other change in the share capital of the Company from the Latest Practicable Date up to and including the date of Completion, the Subscriber will hold 5,100,000,000 Shares upon Completion, representing approximately 38.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it or parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive.

In this regard, an application has been made by the Subscriber to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy in respect of the Whitewash Waiver at the EGM; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders in respect of the Subscription (including the Specific Mandate) that are cast either in person or by proxy at the EGM.

The Subscription is conditional upon, amongst other, the granting of the Whitewash Waiver by the Executive, and the Whitewash Waiver not being revoked or withdrawn, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or the Subscription and the Whitewash Waiver are not approved by the Independent Shareholders at the EGM.


In view of (i) the aforesaid reasons for and benefits of the Subscription and that the Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) that the Subscription is fair and reasonable, we are of the opinion that the Whitewash Waiver, which is one of conditions precedent to the Subscription, is (a) in the interests of the Company and the Shareholders as a whole; and (b) fair and reasonable.



OPINION AND RECOMMENDATION

As set out in this letter above, we are of the view that (i) the Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) the Subscription (including but not limited to the Subscription Price) is fair and reasonable. We are also of the opinion that the Whitewash Waiver, which is a one of the conditions precedent to the Subscription, is (a) in the interests of the Company and the Shareholders as a whole; and (b) fair and reasonable.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription (including the Specific Mandate) and the Whitewash Waiver.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED


Clifford Cheng
Director

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

* *For identification purpose only*

Note: Unless the context otherwise requires, conversion of RMB into HK\$ is based on the exchange rate of 1:1.0644. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or HK\$ have been, could have been or may be converted at such or any other rates or at all.