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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or other registered securities institution, bank manager, solicitor, professional accountant or other professional adviser. If you have sold or transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered securities institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**SPRINGLAND**

**Octopus (China) Holdings Limited Springland International Holdings Limited**

*(Incorporated in the British Virgin Islands  
with limited liability)*

**華地國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1700)*

**(1) PROPOSED PRIVATISATION OF SPRINGLAND INTERNATIONAL  
HOLDINGS LIMITED BY OCTOPUS (CHINA) HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86  
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING**

*Financial Adviser to the Offeror*



**DBS Asia Capital Limited**

*Independent Financial Adviser to the Independent Board Committee*



**SOMERLEY CAPITAL LIMITED**

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This Scheme Document is being issued jointly by the Offeror and the Company. The actions to be taken by the Shareholders are set out in Part II of this Scheme Document. Notices convening the Court Meeting to be held at 10:00 a.m. on Thursday, 6 February 2020, and the EGM to be held at 11:00 a.m. on Thursday, 6 February 2020 (or as soon as after the Court Meeting has been concluded or adjourned) are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and return them to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated in the relevant form of proxy or Part II of this Scheme Document. If the **pink** form of proxy in respect of the Court Meeting is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it).

Unless the context requires otherwise, capitalized terms used in this Scheme Document take the meanings ascribed to them in Part I of this Scheme Document under the section headed "Definitions". This Scheme Document comprises also (1) a letter from the Board regarding the Proposal as set out in Part IV of this Scheme Document; (2) a letter from the Independent Board Committee, containing its advice to the Independent Shareholders regarding the Proposal, as set out in Part V of this Scheme Document; (3) a letter from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee regarding the Proposal, as set out in Part VI of this Scheme Document; and (4) an Explanatory Statement regarding the Scheme as set out in Part VII of this Scheme Document. The English language text of this Scheme Document shall prevail over the Chinese text for the purpose of interpretation.

14 January 2020

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*In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the joint announcement dated 1 November 2019 jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	1 November 2019, being the date of the Announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$2.30 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme for every Scheme Share cancelled and extinguished
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant
“Celestial Spring”	Celestial Spring Limited (天泉有限公司), a company incorporated in the British Virgin Islands with limited liability
“Company”	Springland International Holdings Limited (華地國際控股有限公司), an exempted company incorporated in the Cayman Islands on 21 June 2006 with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 1700)
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Court Meeting”	a meeting of the Independent Shareholders convened at the direction of the Grand Court at which the Scheme will be voted upon
“DBSAC”	DBS Asia Capital Limited, the financial adviser to the Offeror, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities

“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be Thursday, 27 February 2020 (Cayman Islands time)
“EGM”	an extraordinary general meeting to be held by the Company for the Shareholders to consider and, if thought fit, approve, among others, (i) a special resolution in relation to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares; (ii) a special resolution in relation to the withdrawal of listing of the Shares upon the Scheme becoming effective; and (iii) an ordinary resolution in relation to the restoration of the number of issued Shares in the share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror
“EGM Record Date”	Thursday, 6 February 2020, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Grant Sherman”	Grant Sherman Appraisal Limited, the independent property valuer to the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, which comprises a non-executive Director, namely Mr. Fung Hiu Chuen, John and the following independent non-executive Directors, Dr. Lin Zhijun, Dr. Zhang Weijiong and Mr. Cheung Yat Ming, to make a recommendation to the Independent Shareholders, in respect of, among others, the Proposal and the Scheme, respectively

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser in respect of the Proposal and the Scheme appointed by the Company with the approval of the Independent Board Committee
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Last Trading Day”	25 October 2019, being the last Trading Day on which the Shares were traded on the Stock Exchange prior to the publication of the Announcement
“Latest Practicable Date”	10 January 2020, being the latest practicable date for the purposes of ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2020, or such later date as may be agreed between the Offeror and the Company, subject to approval by DBSAC, or to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow
“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)
“Mr. Chen”	Mr. Chen Jianqiang, the executive Director and chairman of the Board and also a director of the Offeror
“Mr. Tao”	Mr. Tao Qingrong, a non-executive Director
“Octopus Holdings”	Octopus Holdings Foundation, a company incorporated in the Cayman Islands with limited liability
“Offeror”	Octopus (China) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, being Mr. Chen, Octopus Holdings, Celestial Spring, Mr. Tao and DBSAC as at the Latest Practicable Date
“Offer Period”	the period commencing on the Announcement Date and as defined in the Takeovers Code
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Registered Owner”	any owner of relevant Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) entered in the register of members of the Company
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 1 May 2019 (being the date falling six (6) months prior to the Announcement Date) and ending on the Latest Practicable Date, both dates inclusive
“RMB”	renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to the Scheme Conditions) involving the cancellation and reduction of all the Scheme Shares and the restoration of the number of issued Shares in the share capital of the Company to the amount immediately before the cancellation and reduction of the Scheme Shares
“Scheme Conditions”	the conditions to the implementation of the Scheme as set out in the section headed “Scheme Conditions” in Part IV and Part VII of this Scheme Document
“Scheme Court Meeting Record Date”	Thursday, 6 February 2020, or such other date as may be announced to, among others, the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting
“Scheme Document”	this composite scheme document jointly issued by the Company and the Offeror containing, inter alia, further details of the Proposal
“Scheme Record Date”	Thursday, 27 February 2020 or such other date as shall have been announced to the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to the Cancellation Price upon the Scheme becoming effective
“Scheme Record Time”	4:00 p.m. (Hong Kong time) on the Scheme Record Date
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Offeror as at the Scheme Record Time on the Scheme Record Date
“Scheme Shareholder(s)”	holders of Scheme Shares as at the Scheme Record Time on the Scheme Record Date

“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 par value each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Trading Day”	a day on which the Stock Exchange is open for the business of dealings in securities

*All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court Meeting hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares in the share capital of the Company, and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.*

**ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM, the register of members of the Company in respect of the Shares will be closed from Monday, 3 February 2020 to Thursday, 6 February 2020 (both dates inclusive) and during such period, no registration of transfer of the Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 4:30 p.m. on Friday, 31 January 2020.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the relevant Registered Owners.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Proposal.

Whether or not you are able to attend the Court Meeting and/or the EGM, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the **pink** forms of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Tuesday, 4 February 2020 or be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the **white** form of proxy for use at the EGM should be lodged not later than 11:00 a.m. on Tuesday, 4 February 2020. The completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the relevant resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders. We therefore strongly urge you to attend and vote at the Court Meeting and the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll.

The Company will make an announcement in relation to the results of the Court Meeting and the EGM not later than 7:00 p.m. on Thursday, 6 February 2020. The Company will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.



**ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS**

The Company will not recognize any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or the EGM.** You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting and the EGM. You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

**EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE COMPANY AND THE OFFEROR STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, WE URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.**

**IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, WE ENCOURAGE YOU TO PROVIDE HKSCC WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND THE EGM WITHOUT DELAY (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS” ABOVE).**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

*The following timetable takes into account the procedures of the Grand Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.*

<b>Event</b>	<b>Date</b>
Despatch of this Scheme Document . . . . .	Tuesday, 14 January 2020
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM . . . . .	4:30 p.m. on Friday, 31 January 2020
Register of members of the Company in respect of the Shares closed for determining the entitlement of Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM ( <i>Note 1</i> ) . . . . .	Monday, 3 February 2020 to Thursday, 6 February 2020 (both dates inclusive)
Latest time for lodging the <b>pink</b> forms of proxy in respect of the Court Meeting ( <i>Note 2</i> ) . . . . .	10:00 a.m. on Tuesday, 4 February 2020
Latest time for lodging the <b>white</b> forms of proxy in respect of the EGM ( <i>Note 2</i> ) . . . . .	11:00 a.m. on Tuesday, 4 February 2020
Meeting Record Date . . . . .	Thursday, 6 February 2020
Court Meeting ( <i>Note 3</i> ) . . . . .	10:00 a.m. on Thursday, 6 February 2020
EGM ( <i>Note 3</i> ) . . . . .	11:00 a.m. on Thursday, 6 February 2020 (or as soon as after the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the EGM . . . . .	not later than 7:00 p.m. on Thursday, 6 February 2020
Latest time of trading in the Shares on the Stock Exchange . . . . .	4:10 p.m. on Friday, 7 February 2020

<b>Event</b>	<b>Date</b>
Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme .....	4:30 p.m. on Tuesday, 11 February 2020
Register of members of the Company in respect of the Shares closed for the determining entitlements to qualify under the Scheme ( <i>Note 4</i> ) .....	from Wednesday, 12 February 2020 onwards
Court hearing of the petition to sanction the Scheme and to confirm the reduction of the number of issued Shares .....	Friday, 21 February 2020 <b>(Cayman Islands time)</b>
Announcement of the result of the Court hearing, the expected Effective Date and the expected date of withdrawal of listing of the Shares on the Stock Exchange .....	Wednesday, 26 February 2020
Scheme Record Date .....	Thursday, 27 February 2020
Effective Date ( <i>Note 5</i> ) .....	Thursday, 27 February 2020 <b>(Cayman Islands time)</b>
Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange .....	Friday, 28 February 2020
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective ( <i>Note 6</i> ) .....	4:00 p.m. on Monday, 2 March 2020
Cheques for cash entitlements under the Scheme to be despatched ( <i>Note 7</i> ) .....	on or before Monday, 9 March 2020

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

*Notes:*

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Proposal.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the **pink** forms of proxy for use at the Court Meeting, they may be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). Completion and return of the relevant form of proxy for the Court Meeting and/or the EGM will not preclude an Independent Shareholder or a Shareholder, from attending the meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.
3. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
4. The register will be closed as from such date and on such date for the purpose of determining the Independent Shareholders who are qualified for entitlement under the Scheme.
5. When all the Scheme Conditions are satisfied or waived (as applicable), the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point it will become effective and binding on the Offeror, the Company and all the Scheme Shareholders. The Effective Date would be earlier than the date of announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange.
6. If all the Scheme Conditions are fulfilled (or waived as applicable), the Offeror will implement the Scheme to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange.
7. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 9 March 2020.

*All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.*



**SPRINGLAND**  
**Springland International Holdings Limited**

**華地國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1700)**

*Executive Director:*

Mr. Chen Jianqiang (*Chairman*)

*Non-executive Directors:*

Mr. Tao Qingrong

Mr. Fung Hiu Chuen, John

*Independent non-executive Directors:*

Dr. Lin Zhijun

Dr. Zhang Weijiong

Mr. Cheung Yat Ming

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman, KY1-1111

Cayman Islands

*Head office:*

26/F, Jinling Hotel

No. 1 Xianqian East Street

Wuxi City, Jiangsu, PRC

*Principal place of business in Hong Kong:*

Unit C, 8/F., Grandion Plaza

932 Cheung Sha Wan Road

Kowloon, Hong Kong

14 January 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF SPRINGLAND INTERNATIONAL  
HOLDINGS LIMITED BY OCTOPUS (CHINA) HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86  
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING**

**1. INTRODUCTION**

On 29 October 2019, the Offeror requested the Board to put forward the Proposal for the privatisation of the Company, which will involve the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Scheme is approved and the Proposal is implemented, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix III to this Scheme Document.

## **2. THE PROPOSAL**

### **THE SCHEME**

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$2.30 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

The Cancellation Price of HK\$2.30 per Scheme Share cancelled and extinguished represents:

- a premium of approximately 63.1% over the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 64.4% over the average closing price of approximately HK\$1.399 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day;
- a premium of approximately 56.8% over the average closing price of approximately HK\$1.467 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 Trading Days up to and including the Last Trading Day;
- a premium of approximately 55.4% over the average closing price of approximately HK\$1.480 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 Trading Days up to and including the Last Trading Day;

- a premium of approximately 53.2% over the average closing price of approximately HK\$1.501 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- a premium of approximately 51.3% over the average closing price of approximately HK\$1.520 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 Trading Days up to and including the Last Trading Day;
- a premium of approximately 48.6% over the average closing price of approximately HK\$1.548 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 Trading Days up to and including the Last Trading Day;
- a discount of approximately 18.1% over the unaudited consolidated net asset value after deducting non-controlling interests (the “NAV”) per Share of approximately HK\$2.81 as at 30 June 2019, calculated based on the NAV of the Group of approximately HK\$5,531,230,476 (based on the exchange rate of HK\$1: RMB0.90274, the central parity rate published by the People’s Bank of China on its website as at 25 October 2019 for illustrative purposes) and the 1,970,000,000 Shares in issue as at 30 September 2019; and
- a premium of approximately 3.6% over the closing price of HK\$2.22 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

#### **Highest and lowest prices of the Shares**

During the 4 years ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.28 on 3 May 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.94 on 1 August 2016.

The Cancellation Price has been determined on an arm’s length basis after taking into account the financial information of the Group including the financial position of the Group as at 30 June 2019, the prices of the Shares traded on the Stock Exchange and other privatisation transactions in Hong Kong in recent years.

#### **Trading volume and liquidity of the Shares**

The trading volume and liquidity of the Shares during the relevant periods prior to and including the Last Trading Day are illustrated below:

- on the Last Trading Day, a total number of approximately 690,000 Shares were traded with a turnover of approximately HK\$964,814;
- during the period from the last 10 Trading Days (i.e. 14 October 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 1,121,500 Shares, representing approximately 0.06% of the issued Shares as of 14 October 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,558,029;



- during the period from the last 30 Trading Days (i.e. 12 September 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 580,133 Shares, representing approximately 0.03% of the issued Shares as of 12 September 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$823,533;
- during the period from the last 60 Trading Days (i.e. 1 August 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 692,597 Shares, representing approximately 0.04% of the issued Shares as of 1 August 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,003,696;
- during the period from the last 90 Trading Days (i.e. 19 June 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 801,148 Shares, representing approximately 0.04% of the issued Shares as of 19 June 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,195,759;
- during the period from the last 120 Trading Days (i.e. 6 May 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 843,661 Shares, representing approximately 0.04% of the issued Shares, as of 6 May 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,280,411; and
- during the period from the last 180 Trading Days (i.e. 31 January 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 1,179,043 Shares, representing approximately 0.06% of the issued Shares as of 31 January 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,855,088.

During the period from the last 180 Trading Days up to and including the Last Trading Day, there was no trading of the Shares on 5 Trading Days, representing approximately 2.78% of the total number of Trading Days during that period.

#### **Scheme Conditions**

The Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;

- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company;
- (f) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Scheme required before the Scheme becoming effective having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (g) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Scheme required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Scheme or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Scheme;
- (j) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Scheme could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole:
  - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
  - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and
  - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder; and
- (k) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable).

The Offeror reserves the right to waive Scheme Conditions (f) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived (as applicable), the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point it will become effective and binding on the Offeror, the Company and all the Scheme Shareholders.

Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around 27 February 2020 (Cayman Islands time). An expected timetable is set out in Part III of this Scheme Document.

In respect of Scheme Conditions (f) to (h), the Offeror is not currently aware of any authorisations or consents which are required.

The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the Scheme Conditions. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will not invoke any Scheme Condition so as to cause the Scheme not to become effective unless the circumstances which give rise to the right to invoke the Scheme Condition are of material significance to the Offeror in the context of the Scheme.

As at the Latest Practicable Date, none of the Scheme Conditions have been fulfilled or waived.

## **PROPOSAL**

The implementation of the Scheme is conditional upon all the Scheme Conditions being fulfilled (or waived as applicable) on or before the Long Stop Date. If all the Scheme Conditions are fulfilled (or waived as applicable) on or before the Long Stop Date, the Offeror will implement the Scheme to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange.

Shares directly or indirectly held by the Offeror as at the Scheme Record Time on the Scheme Record Date do not count as Scheme Shares.

### **Warnings:**

**Shareholders and potential investors of the Company should be aware that the implementation of the Scheme is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus the Scheme may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

### **3. REASONS FOR AND BENEFITS OF THE PROPOSAL**

The principal activity of the Group is the operation of department stores and supermarkets in Mainland China. Factors such as decreasing momentum in global economic growth, reform in the retail industry as well as evolving and diversifying consumer trends challenge the Group's business model.

In order to reposition itself in the dynamic environment of the retail industry, the Group may have to reassess its strategies and implement necessary changes. The process may take time and bring uncertainty to the Group's financial performance in the short to medium term, which may alter dividend payout.

Following the implementation of the Proposal, the Offeror can make strategic decisions focused on the long-term benefits, free from the pressure of short-term profit expectation associated with being a publicly listed company, and the decision making process will be streamlined to capture the fleeting business opportunities when the Company no longer has to fulfill the listing compliance requirement of Stock Exchange.

Since the Company's listing on the Stock Exchange in October 2010, the listing platform has not been utilized for any further equity fund raising activities. The liquidity of Shares has been at a relatively low level over a long period of time. The average daily trading volume of the Shares for last 90 Trading Days (i.e. 19 June 2019) up to and including the Last Trading Day was approximately 801,148 Shares per day, representing only approximately 0.04% of the issued Shares as of 19 June 2019 which was the first Trading Day of the aforesaid period. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs. The Offeror considers the listing platform of limited benefit to both the Group and Shareholders.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

The Cancellation Price of HK\$2.30 is higher than the highest closing price in the recent 4 years. The Cancellation Price represents (i) a premium of approximately 56.8%, 55.4%, 53.2%, 51.3%, and 48.6% over average closing prices of the Shares of each of the 30/60/90/120/180 Trading Days, respectively, up to and including the Last Trading Day; and (ii) a premium of approximately 3.6% over the closing price on the Latest Practicable Date.

The Board has declared dividends in each of the three years ended 31 December 2016, 2017 and 2018 but the Company does not expect to declare or distribute any dividends before the Effective Date.

#### **4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES**

The Proposal will involve the cancellation and extinguishment of the Scheme Shares at the Cancellation Price of HK\$2.30 per Scheme Share cancelled and extinguished. As at the Latest Practicable Date, there are 1,970,000,000 Shares in issue of which the Offeror holds an aggregate of 1,442,500,000 Shares, and there are 527,500,000 Scheme Shares in issue. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The amount of cash required for the Scheme is approximately HK\$1,213.25 million.

The Offeror intends to finance the cash required for the Proposal through a loan facility. DBSAC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

## 5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 1,970,000,000 Shares in issue.

The table below sets out the simplified shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis that the Scheme becomes effective, immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Scheme	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Offeror (Note 1)</b>	1,442,500,000	73.22	1,970,000,000	100
<b>Other Offeror Concert Parties</b>				
Celestial Spring (Note 2)	23,336,000	1.18	–	–
Total number of Scheme Shares held by the Independent Shareholders (Note 2)	504,164,000	25.59	–	–
<b>Total</b>	<b>1,970,000,000</b>	<b>100</b>	<b>1,970,000,000</b>	<b>100</b>

*Notes:*

- The Offeror is wholly-owned by Octopus Holdings. Mr. Chen as the sole shareholder of Octopus Holdings is deemed to be interested in Shares held by the Offeror.
- Mr. Tao, a non-executive Director, is interested in approximately 38.46% of the shareholding of Celestial Spring, which holds 23,336,000 Shares in the Company. The Scheme Shares include such 23,336,000 Shares. However, given Mr. Tao is presumed to be acting in concert with the Offeror under Class (6) of the definition of “acting in concert” under the Takeovers Code, Celestial Spring will be required to abstain from voting at the Court Meeting as it is not an Independent Shareholder.
- All percentages in the above table are approximations.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

**6. OFFEROR'S INTENTION REGARDING THE COMPANY**

The Company is incorporated in the Cayman Islands with limited liability and the Company has been listed on the Main Board of the Stock Exchange since 21 October 2010 with the stock code 1700. The Group is principally engaged in the operation of department stores and supermarkets in Mainland China.

Following implementation of the Proposal, the Offeror intends that the Company should continue carrying on its current business and do not intend to make any major changes to the current operations, or discontinue the employment of the employees of the Group nor do they have plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business in light of the challenging environment for retail businesses in the PRC.

**7. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands which is wholly-owned by Octopus Holdings. Mr. Chen is the sole shareholder of Octopus Holdings, and is thus deemed to be interested in Shares held by the Offeror.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Chen, who is acting in concert with the Offeror under the definition of "acting in concert" in the Takeovers Code.

**8. INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee, comprising a non-executive Director, namely Mr. Fung Hiu Chuen, John, and the following independent non-executive Directors, Dr. Lin Zhijun, Dr. Zhang Weijiong and Mr. Cheung Yat Ming, has been established by the Board to make a recommendation to the Independent Shareholders and as to whether the terms of the Scheme are, or are not, fair and reasonable and as to voting. Mr. Tao, a non-executive Director, is not a member of the Independent Board Committee given he is presumed to be acting in concert with the Offeror under Class (6) of the definition of "acting in concert" under the Takeovers Code by virtue of his shareholding of approximately 38.46% of the issued share capital of Celestial Spring, which holds 23,336,000 Shares in the Company. Such 23,336,000 Shares will constitute part of the Scheme Shares.

As at the Latest Practicable Date, Mr. Chen, being the executive Director, and Mr. Tao, being a non-executive Director, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors, who are not required to abstain from voting, believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of the Independent Financial Adviser.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.



**9. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE**

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

**10. WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective in accordance with Rule 6.15(2) of the Listing Rules. The Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme is set out in Part III of this Scheme Document, which contains further details of the Scheme.

The Company will be privatised by way of a scheme of arrangement (under section 86 of the Companies Law) in compliance with the Takeovers Code and all the relevant requirements, and it is the Company's intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

**11. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES**

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Scheme Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective.

If the Scheme is not approved or otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. If they are in doubt as to the action they should take, they should consult their stockbroker, bank manager, solicitor or other professional advisers.



**12. OVERSEAS SCHEME SHAREHOLDERS**

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

As at the Latest Practicable Date, the Company does not have any overseas Scheme Shareholders.

**13. SCHEME SHARES, COURT MEETING AND EGM**

As at the Latest Practicable Date, the Offeror holds an aggregate of 1,442,500,000 Shares representing approximately 73.22% of the total number of issued Shares in the share capital of the Company. Such 1,442,500,000 Shares will not constitute Scheme Shares and such 1,442,500,000 Shares together with the 23,336,000 Shares held by Celestial Spring will not be voted on the Scheme at the Court Meeting.

The Offeror and the Offeror Concert Parties have undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

DBSAC is presumed to be acting in concert with the Offeror under class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, no Shares are owned, controlled or directed by DBSAC.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

The Offeror has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

#### **14. COSTS OF THE SCHEME**

The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme incurred by each of the Offeror and the Company will be borne by them respectively.

#### **15. GENERAL**

The Offeror has appointed DBSAC as its financial adviser in connection with the Proposal.

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares between the Offeror and the Offeror Concert Parties and any other person which might be material to the Proposal.

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Scheme Condition.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. No irrevocable commitment to vote for or against the Scheme has been received by the Offeror and the Offeror Concert Parties, as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between any Shareholders and the Offeror and the Offeror Concert Parties. The Company confirms that, as at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

#### **16. COURT MEETINGS AND EGMS**

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Independent Shareholders whose names appear on the register of members of the Company as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting in person or by proxy. The Offeror and the Offeror Concert Party will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under the “for” and as one shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement will be met if the number of the Independent Shareholders voting in favour of the Scheme exceeds the number of the Independent Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Independent Shareholders, present and voting in person or by proxy, will be counted.

The EGM will be held as soon as after the Court Meeting has been concluded or adjourned for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing all Scheme Shares. All Shareholders will be entitled to attend and vote in person or by proxy on such resolutions at the EGM.

At the EGM, a poll will be taken and each Shareholder present and vote, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa).

At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document.

## **17. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

**18. RECOMMENDATIONS**

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter and the letter of advice from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in the letter from the Independent Financial Adviser in Part VI of this Scheme Document. The Independent Board Committee's recommendation is set out in Part V of this Scheme Document.

As at the Latest Practicable Date, Mr. Chen, being the executive Director, and Mr. Tao, being a non-executive Director, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors, who are not required to abstain from voting, believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders.

**19. TAXATION**

Your attention is drawn to the paragraph headed "20. Taxation" as set out in Part VII of this Scheme Document.

It is emphasized that none of the Company, the Offeror, parties acting in concert with them or presumed to be acting in concert with them and their respective professional advisers or any of their respective directors or associates or any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

**20. FURTHER INFORMATION**

You are urged to read carefully the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the Explanatory Statement, the Scheme of Arrangement and the notices of the Court Meeting and the EGM contained in this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully,  
By Order of the Board  
**Mr. Fung Hiu Chuen, John**  
*Non-executive Director*

**SPRINGLAND****Springland International Holdings Limited****華地國際控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1700)***Executive Director:*Mr. Chen Jianqiang (*Chairman*)*Non-executive Directors:*

Mr. Tao Qingrong

Mr. Fung Hiu Chuen, John

*Independent non-executive Directors:*

Dr. Lin Zhijun

Dr. Zhang Weijiong

Mr. Cheung Yat Ming

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman, KY1-1111

Cayman Islands

*Head office:*

26/F, Jinling Hotel

No. 1 Xianqian East Street

Wuxi City, Jiangsu, PRC

*Principal place of business in Hong Kong:*

Unit C, 8/F., Grandion Plaza

932 Cheung Sha Wan Road

Kowloon, Hong Kong

14 January 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF SPRINGLAND INTERNATIONAL  
HOLDINGS LIMITED BY OCTOPUS (CHINA) HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86  
OF THE COMPANIES LAW OF THE CAYMAN ISLANDS  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document (the “**Scheme Document**”) dated 14 January 2020 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Proposal.

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**PART V LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Somerley Capital Limited has been appointed, with our approval, as the Independent Financial Adviser in respect of the Proposal.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser, we consider the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend:

- (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (2) the Shareholders to vote in favour of (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

Yours faithfully,

**Independent Board Committee**

**Mr. Fung Hiu Chuen, John**

*Non-executive Director*

**Dr. Lin Zhijun**

*Independent non-executive  
Director*

**Dr. Zhang Weijiong**

*Independent non-executive  
Director*

**Mr. Cheung Yat Ming**

*Independent non-executive  
Director*

*Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

14 January 2020

*To: the Independent Board Committee*

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF SPRINGLAND INTERNATIONAL HOLDINGS LIMITED BY OCTOPUS (CHINA) HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS; AND  
(2) PROPOSED WITHDRAWAL OF LISTING**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the Scheme Document jointly issued by the Company and the Offeror dated 14 January 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 29 October 2019, the Offeror requested the Board to put forward the Proposal for the privatisation of the Company, which will involve the cancellation of the Scheme Shares and the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Law. If the Scheme is approved and the Proposal is implemented, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror. After the Scheme becoming effective, the listing of the Shares on the Stock Exchange will be withdrawn.

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## **PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Independent Board Committee comprising one of the non-executive Directors, namely Mr. Fung Hiu Chuen, John, and all independent non-executive Directors, namely Dr. Lin Zhijun, Dr. Zhang Weijiong and Mr. Cheung Yat Ming, who have no material interests in the Proposal and the Scheme, has been established to advise the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

We are not associated with the Company, the Offeror or their respective substantial shareholders 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 Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018; (iii) the interim report of the Company for the six months ended 30 June 2019; (iv) the valuation report on the properties of the Group set out in Appendix VI to the Scheme Document; and (v) the material change statement set out in Appendix I to the Scheme Document, together with the future prospects of the Group, which we have discussed with the management of the Group (the “**Management**”).

We have relied on the information and facts supplied by the Company and the opinions expressed by the Management and the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document. Shareholders will be informed by the Offeror and the Company as soon as reasonably possible if there is any material change to such representations after the date of the Scheme Document until the date of the Court Meeting and the EGM. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent Shareholders in connection with the Proposal and the Scheme since these are particular to their individual circumstances. In particular, Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.



**PRINCIPAL TERMS OF THE PROPOSAL**

Set out below is a summary of the terms of the Proposal and the Scheme which are set out in detail in the “Letter from the Board”, the “Explanatory Statement” and Appendix III contained in the Scheme Document. Independent Shareholders are encouraged to read the Scheme Document and the appendices in full.

**1. Cancellation Price of HK\$2.30 per Scheme Share**

Under the Scheme, the Scheme Shares (being all the Shares other than those held by the Offeror) will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$2.30 in cash for each Scheme Share cancelled and extinguished.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

As stated in the “Letter from the Board” contained in the Scheme Document, the Cancellation Price has been determined on an arm’s length basis after taking into account the financial information of the Group including the financial position of the Group as at 30 June 2019, the prices of the Shares traded on the Stock Exchange and other privatisation transactions in Hong Kong in recent years.

**2. Conditions of the Proposal**

The Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of a number of Scheme Conditions as set out in the “Letter from the Board” and the “Explanatory Statement” contained in the Scheme Document, including, among other things, the following principal Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (i) the approval of the Scheme (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting being not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;

- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders at the EGM to immediately thereafter increase the issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror; and
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration.

The Scheme Conditions stated above cannot be waived in any event while certain of the other Scheme Conditions can be waived by the Offeror either in whole or in part. The Company has no right to waive any of the Scheme Conditions. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal.

All of the Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (being 31 May 2020 or such later date as may be agreed between the Offeror and the Company, subject to approval by DBSAC (being the financial adviser of the Offeror), or to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow), failing which the Scheme will lapse. As at the Latest Practicable Date, none of the Scheme Conditions has been fulfilled or waived.

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. A detailed timetable is included in the Scheme Document. It is presently expected that the Scheme will become effective on or before 27 February 2020, and the withdrawal of listing of the Shares will happen on or before 2 March 2020.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendations with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

**1. Information and prospects of the Group**

*(i) Information on the background of the Group*

The Company, incorporated in the Cayman Islands, was listed on the Main Board of the Stock Exchange on 21 October 2010. The Group is principally engaged in the operation of department stores and supermarkets in the PRC, mainly the Greater Yangtze River Delta region. As set out in the 2018 annual report of the Company, the Group operates department stores and supermarkets under three core brands: “Yaohan”, “Springland” and “Datonghua”. As at 31 December 2019, the Group operated 24 department stores and shopping malls with total gross floor area of 1,380,000 sq.m., and 70 supermarkets with total gross floor area of 425,000 sq.m..

*(ii) Financial information of the Group*

Details of the financial information of the Group are set out in Appendix I to the Scheme Document. We have reviewed such financial information and other financial reports of the Company and discussed with the Management the financial information of the Group. Details of the Group’s historical financial information are set out below.

*(a) Financial performance*

The following is a summary of the financial results of the Group for the five years ended 31 December 2014, 2015, 2016, 2017 and 2018, and for the six months ended 30 June 2018 and 2019 (extracted from the Company’s 2015, 2016, 2017, 2018 annual reports and the 2019 interim report respectively).

	For the six months ended 30 June		For the year ended 31 December				
	2019 (RMB'000) (Unaudited)	2018 (RMB'000) (Unaudited)	2018 (RMB'000) (Audited)	2017 (RMB'000) (Audited)	2016 (RMB'000) (Audited)	2015 (RMB'000) (Audited)	2014 (RMB'000) (Audited)
Revenue	2,392,028	2,372,263	4,607,943	4,444,039	4,192,723	4,167,905	4,276,284
<i>Segment revenue:</i>							
– Department store	1,105,631	1,000,789	1,988,434	1,767,320	1,620,961	1,623,725	1,702,744
– Supermarket	1,286,397	1,371,474	2,619,509	2,676,719	2,571,762	2,544,180	2,573,540
Profit for the period/year	265,120	236,762	396,349	338,495	322,387	490,206	645,571
Profit attributable to owners of the Company	267,440	240,551	400,017	340,019	325,058	480,288	634,065
<i>Segment operating profits (note):</i>							
– Department store	473,631	400,581	754,089	625,288	601,963	676,162	822,719
– Supermarket	52,163	60,590	35,773	66,995	85,190	112,181	135,752
Earnings per share (RMB)	0.13	0.11	0.19	0.15	0.14	0.20	0.26

*Note:* Figures represent the operating profits from each segment before deduction of unallocated and corporate gains/expenses.

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**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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(i) Revenue

Revenue represents mainly income from (a) sale of goods from direct sales and (b) commission income from concessionaire sales, and revenue is also contributed by rental income and provision of other services. We understand from the Management that sales from the department store segment are mainly carried out in the form of concessionaire sales, where the Group receives commission income from merchants based on the gross sales amounts. On the other hand, revenue from the supermarket segment is mainly generated from direct sales, where the Group receives income from the direct sales proceeds. Accordingly, the revenue figures may not show clearly the operation scale of the two segments. In this regard, we have also set out the total sales proceeds (“TSP”) of the two segments below for better comparison:

	For the six months ended 30 June		For the year ended 31 December				
	2019 (RMB million)	2018 (RMB million)	2018 (RMB million)	2017 (RMB million)	2016 (RMB million)	2015 (RMB million)	2014 (RMB million)
TSP	6,148	5,962	11,637	11,188	10,889	10,696	11,049
– Department store	4,641	4,442	8,653	8,216	8,041	7,907	8,262
– Supermarket	1,507	1,520	2,984	2,972	2,848	2,789	2,787

As set out in the table above, the department store segment of the Group plays a key role in the Group’s operation in terms of TSP, and contributes about three-fourths of the Group’s TSP. The Group’s revenue is affected by the Group’s TSP and the movement in the Group’s revenue in the above years/ periods is in line with that of the Group’s TSP. We understand from the Management that the Group’s results in recent years were affected by different factors such as the slowdown in growth of the PRC economy, increasing competition, the rapid emergence of e-commerce and the changes in consumers’ demand. The Group has been modifying its development strategies to adapt to the changing business environment, such as modifying the positioning of the department stores to improve consumer experiences, introduction of new technology to bring in digital integration, expansion of stores network and optimising product portfolio. Both TSP and revenue of the Group increased in 2017 when compared to 2016, and continued to increase in 2018 and the first half of 2019.

(ii) Net profit and profit attributable to owners of the Company

As set out above, net profits and profits attributable to owners of the Company decreased in both 2015 and 2016. We understand from the Management that such decrease was mainly due to the decrease in operating profit margin as a result of keen competition and higher costs associated with new stores. Results of the Group improved in 2017 with a further increase in net profits in both 2018 and first half of 2019. The improvement was mainly contributed by the increase in operating profits in the department store segment as a result of improvement in operating efficiency.

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## PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As explained in paragraph (i) above, the Group's department store segment contributes to about three-fourths of the Group's TSP. Such segment also contributes to most of the Group's operating profits (i.e. before deduction of unallocated and corporate gains/expenses), especially in the recent years of 2017 and 2018 and first half of 2019, where the department store segment contributed over 90% of the operating profits of the Group. The improvements in the operating results of the department store segment has led to the increases in the Group's net profits since 2017. However, we note a continuous deterioration in the operating profits generated by the supermarket segment. The operating profits generated by the supermarket segment had a year-on-year decrease of approximately 24.1% from approximately RMB112 million for the year ended 31 December 2015 to approximately RMB85 million for the year ended 31 December 2016. It further decreased to approximately RMB67 million for the year ended 31 December 2017, representing an approximate 21.4% year-on-year decrease, and to approximately RMB36 million for the year ended 31 December 2018, representing an approximate 46.6% year-on-year decrease. We understand from the Management that the deterioration was the result of decrease in profit margins due to keen market competition and closing of under-performing stores.

### (iii) Earnings per share

Movement in earnings per share of the Group is generally in line with the changes in the Group's profit attributable to owners of the Company, with an amount of approximately RMB0.19 per Share during the last full financial year ended 31 December 2018.

### (iv) Dividends

Set out below is a summary of the dividend payout ratio and the dividend yield of the Group for each of the years ended 31 December 2014, 2015, 2016, 2017 and 2018 (as extracted from the Company's 2015, 2016, 2017 and 2018 annual reports respectively).

	For the year ended 31 December				
	2018	2017	2016	2015	2014
Total dividend per Share (HK\$)	0.10	0.08	0.08	0.11	0.17
Dividend payout ratio ( <i>Note</i> )	46%	43%	51%	46%	52%
Dividend yield ( <i>Note</i> )	6.5%	4.2%	6.3%	6.1%	6.3%

*Note:* Dividend payout ratios extracted from the respective annual reports, calculated as yearly dividends per Share divided by earnings per Share. Dividend yields are extracted from the respective annual reports, calculated as dividend per share divided by closing Share price at respective year end.

Except for the lower dividend yield for 2017, the dividend yields of the Group ranged from approximately 6.1% to approximately 6.5% from 2014 to 2018. Dividend payout ratios ranged from approximately 43% to approximately 52% during the same period. For the six months ended 30 June 2019, an interim dividend of HK\$0.04 per Share was declared and paid. As set out in the section headed "Reasons for and benefits of the Proposal" of the "Letter from the Board" contained in the Scheme Document, the Company does not expect to declare or distribute any further dividends before the Effective Date. Based on the Cancellation Price of HK\$2.30 per Scheme Share and total dividend of HK\$0.10 per Share in 2018, the implied dividend yield is approximately 4.3%. The lower implied dividend yield compared with historical dividend yields in the last five years is a result of the premium of the Cancellation Price over the historical share prices for those years, representing a favourable exit option for the Independent Shareholders.

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

(b) *Financial position*

Set out below is a summary of the financial position of the Group as at 31 December 2014, 2015, 2016, 2017 and 2018, and as at 30 June 2019 (as extracted from the Company's 2015, 2016, 2017, 2018 annual reports and the 2019 interim report respectively).

	As at 30 June	As at 31 December				
	2019 (RMB'000) (Unaudited)	2018 (RMB'000) (Audited)	2017 (RMB'000) (Audited)	2016 (RMB'000) (Audited)	2015 (RMB'000) (Audited)	2014 (RMB'000) (Audited)
Non-current assets	11,384,309	10,919,495	11,371,415	11,265,998	10,662,357	9,064,947
Current assets	1,600,353	1,625,445	1,299,510	1,184,733	1,579,440	2,537,302
<b>Total assets</b>	<b>12,984,662</b>	<b>12,544,940</b>	<b>12,670,925</b>	<b>12,450,731</b>	<b>12,241,797</b>	<b>11,602,249</b>
Non-current liabilities	2,189,732	1,537,345	2,159,884	1,747,983	1,510,720	3,074,984
Current liabilities	5,644,071	5,847,765	5,260,549	5,562,316	5,513,369	3,330,042
<b>Total liabilities</b>	<b>7,833,803</b>	<b>7,385,110</b>	<b>7,420,433</b>	<b>7,310,299</b>	<b>7,024,089</b>	<b>6,405,026</b>
<b>Net current liabilities</b>	<b>(4,043,718)</b>	<b>(4,222,320)</b>	<b>(3,961,039)</b>	<b>(4,377,583)</b>	<b>(3,933,929)</b>	<b>(792,740)</b>
<b>Equity attributable to owners of the Company</b>	<b>4,993,263</b>	<b>4,999,914</b>	<b>5,085,404</b>	<b>4,971,367</b>	<b>5,027,818</b>	<b>4,984,406</b>
<b>Non-controlling interests</b>	<b>157,596</b>	<b>159,916</b>	<b>165,088</b>	<b>169,065</b>	<b>189,890</b>	<b>212,817</b>
<i>Segment assets (note):</i>						
– Department store	10,572,475	9,970,604	10,094,446	9,746,224	9,303,281	7,439,677
– Supermarket	1,453,651	1,558,874	1,570,634	1,691,330	1,394,762	1,282,561

*Note:* Excluding corporate and other unallocated assets

As set out above, equity attributable to owners of the Company amounted to approximately RMB5 billion as at each year/period end. Changes in such amounts were mainly due to the increase as a result of profits generated during the relevant year/period, reduced by declaration and payment of dividends and repurchases of Shares.

As at 30 June 2019, total assets of the Group amounted to approximately RMB13.0 billion. The department store segment accounted for most of the assets with an amount of approximately RMB10.6 billion as at 30 June 2019. Main assets of the Group include property, plant and equipment of approximately RMB8.8 billion (representing mainly properties owned by the Group for operation of department stores and shopping malls), right-of-use assets of approximately RMB2.1 billion (representing the rights to use the assets under lease arrangements and prepaid land premium), cash and cash equivalents of approximately RMB0.6 billion and prepayments and other receivables of approximately RMB0.5 billion. As at 30 June 2019, key liabilities of the Group include interest-bearing bank borrowings (both current and non-current) of approximately RMB3.2 billion, other payables and accruals of approximately RMB2.4 billion and trade and bills payables of approximately RMB0.9 billion. It is noted that the Group recorded net current liabilities at the end of each of the above financial years/period. We understand from the Management that the Group has recorded net current liabilities since its listing on the Stock Exchange in 2010, except for a slight net current assets as at year end of 2010. As advised by the Management, the net current liabilities position does not have any material adverse impact on the Group's operation as it is expected that the Group will generate sufficient cash inflows from the sales proceeds on the operation of department stores and supermarkets, and will successfully refinance its current interest-bearing debts by various means including but not limited to renewing its existing loans, utilising its unused bank facilities, and issuing new bonds, to meet its financial obligations when they fall due.

The Group has entered into a property framework cooperation agreement on 18 June 2019, pursuant to which, among other things, the Group lease-purchased a property located at Jiangyin City, Jiangsu Province, the PRC, (the "**Jiangyin Property**") from Jiangyin Yunlong Property Company Limited, an independent third party of the Group, at a consideration of RMB1,020 million (inclusive of tax). As advised by the Management, the Jiangyin Property was not yet recorded in the consolidated financial statements of the Group as at 30 June 2019 until completion in early November 2019.

An independent valuation on the Group's property interests have been performed by Grant Sherman Appraisal Limited ("**Grant Sherman**"), details of which are discussed in the section headed "5. Valuation of the property interests and adjusted NAV" of this letter below.

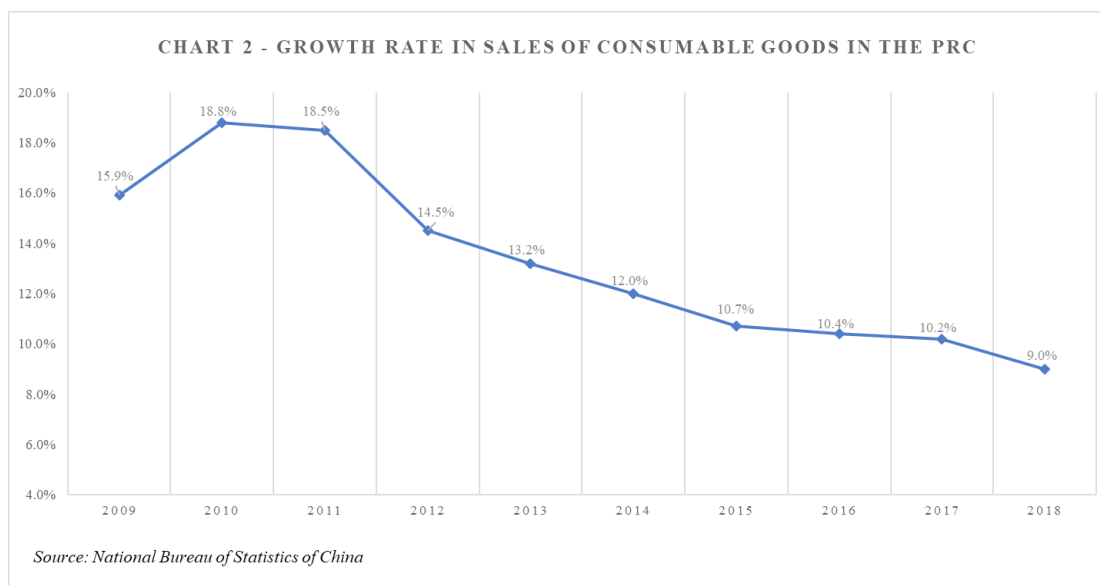
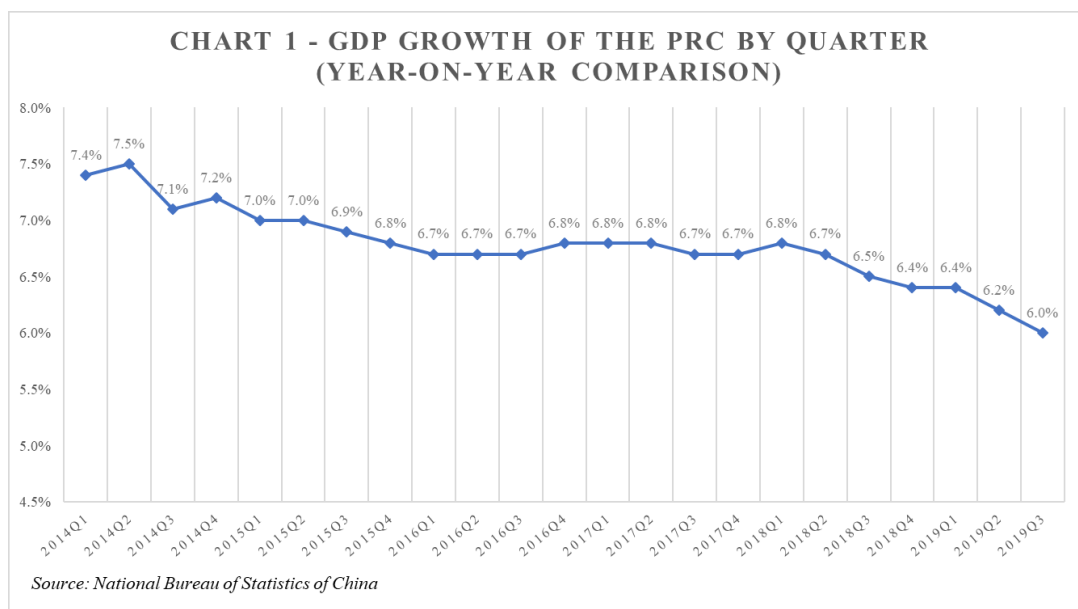
*(c) Summary of analysis on financial information*

As discussed in this sub-section above, the Group faced challenges as a result of the changing economic environment and business landscape in recent years, and financial performance of the Group was affected. In response to this, the Group has been modifying its operating strategies to adapt to the changing environment. The financial results in the latest full financial year of 2018 showed some improvement over the prior two years of 2016 to 2017, while still not reaching the levels achieved in the period of 2014 to 2015.

Financial position of the Group is generally healthy with substantial net assets values over the past few years. Although the Group recorded net current liabilities, the Group was able to generate sufficient cash flows from operations and re-finance its borrowings to continue its operations.

**(iii) Prospects of the Group**

As advised by the Management and as explained above, the economic environment in the PRC is one of the key factors affecting the business of the Group. Set out below is the information about the PRC economic environment:





As set out in the two charts above, growth momentum in the PRC economy has slowed down in recent years and there is a decreasing trend in the growth in gross domestic product (“GDP”) of the PRC. GDP growth for the third quarter of 2019 was 6.0%, reaching the lowest point since 2014. At the same time, the annual growth in sales of consumable goods in the PRC also fell in recent years, falling from 18.8% in 2010 to 9.0% in 2018.

As discussed with the Management, the slowdown in the PRC economic growth and spending on consumable goods have exerted pressure on the operating performance of the Group. As a result of the trade war between the United States and the PRC, and the global economic slowdown, there are uncertainties to the future economic growth of the PRC. At the same time, the Group has been facing keen competition from other operators in nearby areas. In addition, the fast-growing e-commerce has changed the consumers’ spending habit, shifting from offline sales to online sales. The rapid development of new technologies makes the situation more dynamic and changes in trends of consumers’ appetite become more frequent. All these add to the uncertainties in the Group’s prospects.

The Group has been actively modifying its operating strategies in recent years to adapt to the changing economic and business environments. It has successfully improved its financial results in latest years, and the level of net profits increased in 2017, 2018 and first half of 2019. However, as explained in the sub-section headed “(ii) Financial information of the Group” of this letter above, the Group’s financial results did not restore to the level in 2014. The Management advised us that they will continue to monitor the changing economic and business environments and implement necessary changes to the operating strategies, such as changing the product portfolio in the Group’s department stores and shopping malls, enhancing utilisation of technology in operations and improving its human resources management.

Based on our discussion with the Management, together with our review of the historical financial information and the information on the PRC economy and retail sales, we consider that the Group is facing challenges in its operating environment. The Group’s transformation of operating strategies is a reasonable move, but the rapid developing technology and fast changing economic environment will create uncertainties in the implementation of the new strategies. Accordingly, there are uncertainties in the future financial results of the Group.

## **2. Background to and reasons for the Proposal**

As set out in the section headed “Reasons for and benefits of the Proposal” in the “Letter from the Board” contained in the Scheme Document, factors such as decreasing momentum in global economic growth, reform in the retail industry as well as evolving and diversifying consumer trends challenge the Group’s business model. The Group may have to reassess its strategies and implement necessary changes, but the process may take time and bring uncertainty to the Group’s financial performance in the short to medium term and may alter dividend payout. Further details of our analysis on the Group’s financial performance and prospects are set out in the section headed “1. Information and prospects of the Group” of this letter above.

Following the implementation of the Proposal, the Offeror can make strategic decisions focused on the long-term benefits, free from the pressure of short-term profit expectation associated with being a publicly listed company, and the decision making process will be streamlined to capture the fleeting business opportunities when the Company no longer has to fulfill the listing compliance requirements of the Stock Exchange.

In addition, since the Company's listing on the Stock Exchange in October 2010, the listing platform has not been utilised for any further equity fund raising activities. The liquidity of the Shares has been at a relatively low level over a long period of time, with an average daily trading volume of approximately 0.04% (based on number of issued Shares as at the first day of the 90-trading-days period) for the 90 trading days up to and including the Last Trading Day. The low trading liquidity of the Shares could make it difficult for Shareholders to dispose of substantial amount of Shares without adversely affecting the Share prices. The Offeror considers the listing platform of limited benefit to both the Group and the Shareholders. The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount. Further details on the comparison of the Cancellation Price and trading liquidity of the Shares are set out in the section headed "4. Analysis of price performance and trading liquidity of the Shares" of this letter below.

### **3. Information on the Offeror and its intention regarding the Company**

The Offeror is a company incorporated in the British Virgin Islands which is wholly-owned by Octopus Holdings. Mr. Chen is the sole shareholder of Octopus Holdings, and is thus deemed to be interested in Shares held by the Offeror. The Offeror is the controlling shareholder of the Company, holding 1,442,500,000 Shares (representing approximately 73.22% of all the issued Shares as at the Latest Practicable Date). As at the Latest Practicable Date, Celestial Spring, where Mr. Tao (a non-executive Director and a party presumed to be acting in concert with the Offeror) is interested in approximately 38.46% of the shareholding, hold 23,336,000 Shares. Celestial Spring will abstain from voting at the Court Meeting but Shares held by Celestial Spring will form part of the Scheme Shares.

Following implementation of the Proposal, the Offeror intends that the Company should continue carrying on its current business and does not intend to make any major changes to the current operations, or discontinue the employment of the employees of the Group nor does it have plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. The Offeror will continue to monitor the Group's performance and implement appropriate strategies for the Group and its business in light of the challenging environment for retail businesses in the PRC.

#### 4. Analysis of price performance and trading liquidity of the Shares

##### (i) Historical price performance of the Shares

In order to provide the Independent Shareholders an analysis on the Share prices on a longer term, we consider a review period commencing from 1 January 2016 to the Latest Practicable Date would be useful for the Independent Shareholders in considering the Proposal and the Scheme. The Share price chart below illustrates the daily per Share closing prices from 1 January 2016 up to and including the Latest Practicable Date (the “**Review Period**”), and the comparison of the Share price performance with Hang Seng Index and the Cancellation Price.



Source: Bloomberg

As set out in the chart above, the Cancellation Price of HK\$2.30 per Scheme Share is higher than the closing Share prices in all trading days during the Review Period up to the Announcement Date.

The Share price has shown a downward trend from January 2016 to August 2016. Within such period, the Share prices dropped from HK\$1.6 per Share on 18 March 2016 to HK\$0.94 per Share on 1 August 2016 after the release of annual results announcement for the year ended 31 December 2015 showing an approximate 24.1% decrease in profit, resulting in the Share underperforming the Hang Seng Index.

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The Share price then gradually went up after the release of a positive profit warning announcement on 29 July 2016 and reached its high at HK\$1.93 per Share on 29 May 2017 despite the release of an annual results announcement showing an approximate 34.2% drop in profit for the year ended 31 December 2016 on 16 March 2017. The increasing trend during this period is generally in line with that of the Hang Seng Index. We understand from the Management that the surge in share price may possibly be due to market expectation of the synergy in retail industry from O2O (online-to-offline) sales, as well as investments attracted by shopping-mallisation in the PRC.

The Share price fluctuated from June 2017 onwards, following a similar pattern as that of the Hang Seng Index, until the Company published its annual results announcement for the year ended 31 December 2017 showing an approximate 5.0% increase in profit. The Share price then surged and reached its highest in the Review Period at HK\$2.28 per Share on 3 May 2018, outperforming the Hang Seng Index.

Although the Company reported an approximate 4.9% increase in profit in its interim results announcement for the six months ended 30 June 2018 on 10 August 2018, the Share price followed a descending path from May to November 2018 and fluctuated along with the Hang Seng Index for the remaining period before the Announcement. The Shares closed at HK\$1.41 per Share on 25 October 2019 (i.e. the Last Trading Day) and trading in the Shares was suspended from 9:00 a.m. on 28 October 2019 to 1 November 2019.

During the Review Period and up to the Announcement Date, the Share price declined by approximately 19.4% while the Hang Seng Index increased by approximately 27.1%.

The Announcement was published on 1 November 2019 and trading in the Shares resumed on 4 November 2019. The closing Share price surged to HK\$2.11 per Share on 4 November 2019, representing an increase of approximately 49.6% as compared to the Last Trading Day. The closing Share prices fluctuated between HK\$2.11 per Share and HK\$2.22 per Share afterwards and closed at HK\$2.22 per Share as at the Latest Practicable Date.

In view of the performance of the Share prices during the Review Period and before the publication of the Announcement, Independent Shareholders should be aware that the current Share price may not be sustained if the Scheme is not approved or otherwise lapses.

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**(ii) Trading liquidity**

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued Share capital and total issued Shares in public float from 1 January 2018 to the Latest Practicable Date:

	<b>Monthly total trading volume of the Shares (Note 1)</b>	<b>Approximate percentage of the monthly total trading volume of the Shares to the total issued Share capital (Note 2)</b>	<b>Approximate percentage of the monthly total trading volume of the Shares to the total issued Shares in public float (Note 3)</b>
<b>2018</b>			
January	32,414,705	1.5%	4.3%
February	15,692,000	0.7%	2.1%
March	23,075,000	1.0%	3.1%
April	47,731,000	2.2%	6.5%
May	59,999,000	2.8%	8.2%
June	54,221,000	2.5%	7.9%
July	41,918,000	2.0%	6.1%
August	57,662,699	2.7%	9.1%
September	30,967,633	1.5%	4.9%
October	28,522,300	1.4%	4.9%
November	14,066,000	0.7%	2.4%
December	24,725,994	1.2%	4.2%
<b>2019</b>			
January	36,666,764	1.8%	6.3%
February	4,352,000	0.2%	0.8%
March	42,968,862	2.1%	7.7%
April	59,786,658	3.0%	10.7%
May	25,682,725	1.3%	4.6%
June	11,833,201	0.6%	2.3%
July	26,582,524	1.3%	5.3%
August	13,567,839	0.7%	2.7%
September	15,883,997	0.8%	3.2%
October (Note 4)	14,445,000	0.7%	2.9%
November	69,436,000	3.5%	13.8%
December	17,537,700	0.9%	3.5%
<b>2020</b>			
From 1 January up to the Latest Practicable Date	5,539,300	0.3%	1.1%

*Notes:*

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued Share capital of the Company at the end of each month (or at the Latest Practicable Date for January 2020).
3. The calculation is based on the monthly total trading volume of the Shares divided by the total issued Share capital of the Company in public float at the end of each month (or at the Latest Practicable Date for January 2020).
4. Trading of the Shares was suspended from 28 October 2019 to 1 November 2019 pending the publication of the Announcement.

From the table above, in general, we note that the monthly total trading volume of the Shares (as a percentage to the total issued Shares in public float) has not been active from 1 January 2018 up to the date of publication of the Announcement. The percentages of monthly total trading volumes of the Shares to the total issued Shares in public float were below 10% during such period except for April 2019 with monthly total trading volume of approximately 10.7% to the total issued Shares in public float. In March and April 2019, it is noted that trading with relatively large volume took place on 26 March 2019, 3 April 2019 and 4 April 2019. According to the Management, the increase in trading volume on 26 March 2019 was possibly attributable to the favourable annual results announcement published on 25 March 2019 and the repurchase of 10,328,000 Shares by the Company on 26 March 2019, while the increase in trading volume on 3 April 2019 and 4 April 2019 was possibly due to the repurchase of a total of 17,193,000 Shares by the Company on those two days. Trading volume of the Shares surged after publication of the Announcement on 1 November 2019 with the total monthly trading volume of Shares increasing to 69,436,000 Shares in November 2019 (representing approximately 13.8% of the total issued Shares in public float), with 15,329,000 Shares traded on 4 November 2019 (the trading day immediately after publication of the Announcement).

Given the relatively thin trading volume in the Shares since 2018, especially the last six months before the publication of the Announcement from May to October 2019, if the Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Announcement may not, in our view, be sustained if the Proposal lapses. Therefore, the Proposal provides an opportunity for the Shareholders, especially those holding a large block of Shares, to dispose of their holdings at a fixed cash price if they so wish.

***(iii) Cancellation Price comparisons***

The Cancellation Price of HK\$2.30 per Scheme Share in cash represents:

- (a) a premium of approximately 63.1% over the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 64.4% over the average closing price of approximately HK\$1.399 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 56.8% over the average closing price of approximately HK\$1.467 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- (d) a premium of approximately 55.4% over the average closing price of approximately HK\$1.480 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 53.2% over the average closing price of approximately HK\$1.501 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 51.3% over the average closing price of approximately HK\$1.520 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 48.6% over the average closing price of approximately HK\$1.548 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 3.6% over the closing price of HK\$2.22 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (i) a discount of approximately 14.9% to the audited consolidated net asset value after deducting non-controlling interests (the “NAV”) per Share of approximately HK\$2.70 as at 31 December 2018, calculated based on the NAV of the Group of approximately HK\$5,538,598,046 (based on the exchange rate of HK\$1: RMB0.90274, the central parity rate published by the People’s Bank of China on its website as at 25 October 2019 for illustrative purposes) and the 2,050,000,000 Shares in issue as at 31 December 2018;
- (j) a discount of approximately 18.1% to the unaudited consolidated NAV per Share of approximately HK\$2.81 as at 30 June 2019, calculated based on the NAV of the Group of approximately HK\$5,531,230,476 (based on the exchange rate of HK\$1: RMB0.90274, the central parity rate published by the People’s Bank of China on its website as at 25 October 2019 for illustrative purposes) and the 1,970,000,000 Shares in issue as at 30 September 2019; and
- (k) a discount of approximately 38.8% to the unaudited adjusted NAV per Share (the “Adjusted NAV”) of approximately HK\$3.76 as at 30 June 2019, calculated in the sub-section headed “(ii) Adjusted NAV” under the section headed “5. Valuation of the property interests and adjusted NAV” of this letter below.

In summary, the Cancellation Price of HK\$2.30 per Share represents premia in a range of approximately 48.6% to 64.4% over the closing Share prices for different periods before the Last Trading Day, which is considered favourable to the Independent Shareholders.

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The Cancellation Price also represents a discount to the latest published NAV per Share of the Group, being approximately 18.1% to the unaudited consolidated NAV per Share attributable to the Shareholders as at 30 June 2019. We have performed further analysis on the comparison of the Cancellation Price against the adjusted NAV of the Company, further details are set out in the section headed “5. Valuation of the property interests and adjusted NAV” of this letter below.

**5. Valuation of the property interests and adjusted NAV****(i) Property interests**

The financial position of the Group as at 30 June 2019 is set out in the section headed “1. Information and prospects of the Group” of this letter above. As discussed in the aforesaid section, NAV attributable to owners of the Company amounted to approximately RMB4,993.3 million as at 30 June 2019, and major portion of the assets of the Group relates to properties interests owned by the Group for operation of department stores and shopping malls.

Grant Sherman, an independent property valuer, has prepared an independent valuation of the property interests of the Group as at 31 October 2019 (the “**Valuation Date**”). Full details of the valuation are set out in Appendix VI to the Scheme Document. The market values of the Group’s property interests are summarised as follows:

	<b>Market value of the property interests in existing state attributable to the Group as at the Valuation Date (RMB’000)</b>
Held for self occupation ( <i>Note 1</i> )	10,836,310
Held for development purpose	918,200
To be held for self occupation ( <i>Note 2</i> )	—
	<hr/>
Total	<b>11,754,510</b>
	<hr/> <hr/>

*Notes:*

- (1) As the title documents of certain of the property interests were not yet obtained as at the Valuation Date, no commercial value has been ascribed by Grant Sherman to those portion of the property interests. For indicative purposes only and assuming the relevant title documents were obtained and the property interests were freely transferrable in the market, the aggregate market value of such property interests would be approximately RMB2.2 billion.
- (2) As the title documents of the relevant property interest were not yet obtained as at the Valuation Date, no commercial value has been ascribed by Grant Sherman. For indicative purposes only and assuming the relevant title documents were obtained and the property interest was freely transferrable in the market, the market value of such property interest would be approximately RMB1.0 billion.



Property interests of the Group comprised department stores and shopping malls of the Group. As discussed with Grant Sherman, the Group's property interests are classified as follows:

- held for self-occupation: properties mainly occupied by the Group and used as department stores and shopping malls.
- held for development: properties under construction to be used as a shopping mall after completion of development.
- to be held for self occupation: it represents the Jiangyin Property whereas acquisition by the Group was not yet completed and the relevant title documents registered under the name of the Group were not yet obtained as at the Valuation Date.

We have reviewed the valuation as contained in Appendix VI to the Scheme Document, and have discussed with Grant Sherman on (i) bases and assumptions used; (ii) valuation methodology adopted; and (iii) due diligence work performed. We note that Grant Sherman has used various valuation methodologies for arriving at valuations of the property interests. They include (1) the income approach, pursuant to which the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset; (2) the market approach, pursuant to which the value of an asset is provided by comparing the asset with identical or comparable assets for which price information is available; and (3) the cost approach, pursuant to which an asset is valued by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. We have discussed the overall approach to the property valuation and queried the selection of relevant valuation methodologies for major property interests. We concur with the valuation approaches Grant Sherman has taken in valuing the different types of properties.

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**(ii) Adjusted NAV**

As part of our assessment of the Cancellation Price, we have compared it with the Adjusted NAV of the Group based on the unaudited consolidated NAV of the Group as at 30 June 2019, adjusted as follows:

	<i>RMB'000</i>
Unaudited consolidated NAV of the Group attributable to owners of the Company as at 30 June 2019	4,993,263
<i>Adjustments:</i>	
– Net revaluation surplus arising from the valuation of property interests attributable to the Group as at the Valuation Date ( <i>Note 1</i> )	2,341,229
– Net tax as a result of the revaluation surplus on the property interests ( <i>Note 2</i> )	(585,307)
– Payment of interim dividends ( <i>Note 3</i> )	(70,993)
<b>Adjusted NAV</b>	<b>6,678,192</b>
<b>Adjusted NAV per Share (<i>Notes 4 &amp; 5</i>)</b>	<b>RMB3.39</b> <b>(equivalent to</b> <b>approx. HK\$3.76)</b>

*Notes:*

1. As advised by the Management, this represents the net revaluation surplus by comparing the market value of the property interests of the Group as valued by Grant Sherman with their corresponding book values as at the Valuation Date, after adjusting for relevant interests not attributable to the Group.

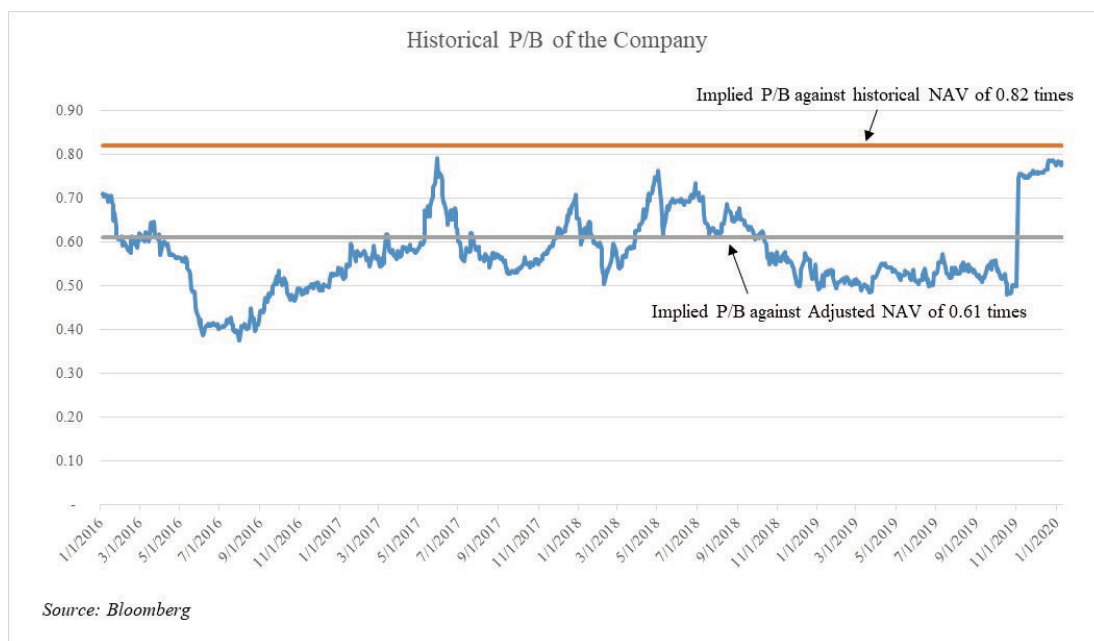
As set out in this section above, Grant Sherman has ascribed no commercial value to certain of the property interests as there are defects in title documents of the relevant property interests as at the Valuation Date. We note from the Valuation Report that such property interests would not be freely transferrable by the Group. For the purpose of this analysis, such property interests have been excluded in the above calculation without taking into account their indicative market values. These property interests mainly include (a) the Jianguyin Property where the acquisition by the Group was not yet completed as at the Valuation Date; (b) property interests under lease arrangements; and (c) underground car parks which, as advised by the Management after consulting the Group's PRC legal advisers, separate title documents would not be issued by the relevant authorities.

2. As advised by the Management, this represents the potential PRC corporate income tax attributable to the revaluation surplus on the property interests of the Group.
3. The Company has paid an interim dividend of HK\$0.04 per Share in October 2019, aggregating to approximately RMB70,993,000 at an exchange rate of HK\$1: RMB0.90187 (being the average middle exchange rate of Hong Kong dollar published by The People's Bank of China on 11 October 2019, the payment date of interim dividend).
4. Amount in HK\$ is calculated at an exchange rate of HK\$1: RMB0.90274 for illustrative purposes.
5. Calculated based on 1,970,000,000 Shares in issue as at the Latest Practicable Date.

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We consider that the Adjusted NAV better reflects the underlying net asset backing of the Group. The Cancellation Price of HK\$2.30 per Scheme Share represents a discount of approximately 38.8% to the Adjusted NAV per Share.

In assessing the aforesaid discount of the Cancellation Price to the Adjusted NAV, we have looked into the comparison between the Share prices and the historical price-to-book ratios (“P/B”) of the Company during the Review Period with details as follows:



### Notes:

1. The implied P/B of the Scheme against historical figure is calculated based on the Cancellation Price of HK\$2.30 per Scheme Share and the unaudited consolidated NAV attributable to Shareholders of approximately HK\$2.81 per Share as at 30 June 2019.
2. The implied P/B of the Scheme against Adjusted NAV is calculated based on the Cancellation Price of HK\$2.30 per Scheme Share and the Adjusted NAV per Share of approximately HK\$3.76.
3. The International Financial Reporting Standard 16 (“IFRS 16”) regarding leases came into effect on 1 January 2019. Based on the 2019 interim report of the Company, we noted that the overall impact of the adoption of IFRS 16 on the balance sheet as at 31 December 2018 is a decrease in retained earnings of approximately RMB66.4 million, which represents only approximately 1.3% of the NAV as at 31 December 2018 of approximately RMB5.1 billion. We therefore consider the effect of adoption of IFRS 16 immaterial and did not adjust such effects in our analysis of the historical P/Bs.

As shown in the chart above, the historical P/Bs of the Company fluctuated over a relatively large range during the period prior to the publication of the Announcement, ranging from a minimum of approximately 0.38 times to a maximum of approximately 0.79 times. Without taking into account the adjustments to the NAV above which is not known to the Shareholders when the Shares were traded, the implied P/B of the Scheme against historical figure (i.e. based on the unaudited consolidated NAV attributable to the Shareholders as at 30 June 2019) is approximately 0.82 times. Such implied P/B is higher than the historical P/Bs of the Company throughout the Review Period.

If the adjustments to the NAV are also considered, the implied P/B of the Scheme against Adjusted NAV is approximately 0.61 times which is still higher than the average of historical P/Bs during the Review Period up to the publication of the Announcement of approximately 0.56 times. Independent Shareholders should note that the historical P/Bs of the Company were extracted from Bloomberg based on the historical financial information while the implied P/B of the Scheme, is calculated based on the Adjusted NAV which includes adjustments of, among other things, revaluation surplus of the Group's property interests. If such revaluation surplus (if any) is taken into account, the historical P/Bs of the Company would be lower.

Based on the above, and taking into account the relatively lower level of historical P/Bs in recent year of 2019, we consider that the implied P/B of the Scheme represents an appropriate valuation multiple for the Independent Shareholders in assessing the terms of the Scheme. We have also compared the implied P/B of the Scheme to other comparable companies, further details of which are set out in the section headed "6. Peer company analysis" of this letter below.

#### **6. Peer company analysis**

As mentioned in the section headed "1. Information and prospects of the Group" of this letter above, the Group is principally engaged in the operation of department stores and supermarkets in the PRC, with the department store segment contributing to the major part of profits and assets of the Group. Accordingly, for comparison purpose, we have conducted a search for companies listed on the Main Board of the Stock Exchange (the "**Comparable Companies**") which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date and information available on the website of the Stock Exchange, are principally engaged in department store operations in the PRC. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Group based on the above criteria. The comparison of the price-to-earnings ratio ("**P/E**") and the P/B ratio of the Scheme with those of the Comparable Companies is set out below.

Comparable Companies	Principal activities (Note 1)	Market	Historical P/E	Historical P/B
		capitalisation	(Approximate times)	(Approximate times)
		HK\$'million (Note 2)	(Note 2)	(Note 2)
Golden Eagle Retail Group Limited (stock code: 3308)	Development and operation of stylish department store chain	14,510	12.1	2.0
Lifestyle China Group Limited (stock code: 2136)	Operation of department stores and other related operations and property holding	12,496	8.5	0.3
Shirble Department Store Holdings (China) Limited (stock code: 312)	Operation of department stores	6,776	30.3	1.8
Maoye International Holdings Limited (stock code: 848)	Operation of department stores	3,471	4.0	0.2
New World Department Store China Limited (stock code: 825)	Operation of department stores	2,493	87.2	0.4
Parkson Retail Group Limited (stock code: 3368)	Operation and management of a network of department stores	1,633	N/A (Note 3)	0.3
Aeon Stores Hong Kong Company Limited (stock code: 984)	Operation of department stores and retail stores	853	N/A (Note 3)	1.0
Yi Hua Holdings Limited (stock code: 2213)	Operation of department store chain	341	N/A (Note 3)	0.5
Jiahua Stores Holdings Limited (stock code: 602)	Operation and management of retail stores	259	16.0	0.4
Century Ginwa Retail Holdings Limited (stock code: 162)	Store operation, including department stores, shopping malls and supermarket	247	N/A (Note 3)	0.1
	<b>Mean (simple average)</b>		26.4	0.7
	<b>Median</b>		14.1	0.4
	<b>Maximum</b>		87.2	2.0
	<b>Minimum</b>		4.0	0.1
	<b>Excluding outliers (Note 4)</b>			
	<b>Mean (simple average)</b>		14.2	0.7
	<b>Median</b>		12.1	0.4
	<b>Maximum</b>		30.3	2.0
	<b>Minimum</b>		4.0	0.1
	<b>The Proposal</b>		<b>11.0</b> (Note 5)	<b>0.6</b> (Note 6)

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*Notes:*

1. The information is based on the website of the Stock Exchange.
2. The market capitalisations, historical P/Es and historical P/Bs of the Comparable Companies are extracted from Bloomberg as at the Latest Practicable Date.
3. The historical P/E is unavailable due to recorded loss attributable to equity holders according to the latest annual report of the respective Comparable Companies.
4. In terms of P/E, New World Department Store China Limited (stock code: 825) (“**New World**”) has a historical P/E of approximately 87.2 times, which is more than three times the average P/E of the Comparable Companies. We noted that New World’s P/E increased drastically from 2017 to 2018 due to a significant decrease in net profit, resulting from material impairment loss on goodwill and on property, plant and equipment for the year ended 30 June 2018. Given the substantial impairment losses in recent year and the significant deviation from other Comparable Companies in terms of P/E, we consider it an outlier.
5. The implied P/E of the Group is calculated based on the Cancellation Price of HK\$2.30 per Scheme Share and the earnings per Share for the year ended 31 December 2018 of approximately RMB0.19 (equivalent to approximately HK\$0.21 based on the exchange rate of HK\$1: RMB0.90274 for illustrative purposes).
6. The implied P/B of the Group is calculated based on the Cancellation Price of HK\$2.30 per Scheme Share and the Adjusted NAV per Share of approximately RMB3.39 per Share (equivalent to approximately HK\$3.76 per Share based on the exchange rate of HK\$1: RMB0.90274 for illustrative purposes).

*P/E*

As set out in the table above, the historical P/Es of the Comparable Companies (excluding outlier) range from approximately 4.0 times to 30.3 times, with a mean of approximately 14.2 times and a median of approximately 12.1 times. The implied P/E of the Company at the Cancellation Price of approximately 11.0 times is within the range of the historical P/Es, lower than the mean and slightly lower than the median of those of the Comparable Companies. Accordingly, we consider the Cancellation Price to be reasonable as compared to the Comparable Companies.

*P/B*

As set out in the table above, the historical P/Bs of the Comparable Companies range from approximately 0.1 times to 2.0 times, with a mean of approximately 0.7 times and a median of approximately 0.4 times. The implied P/B of the Cancellation Price as discussed above of approximately 0.61 times is, within the range and higher than the median but slightly below the mean of the historical P/Bs of those of the Comparable Companies. Accordingly, we consider that the Cancellation Price is reasonable as compared to the Comparable Companies.

Based on the above analysis of the Comparable Companies, we are of the view that the Cancellation Price is fair and reasonable as far as the Independent Shareholders are concerned.

## 7. Privatisation precedents

We have compared the Proposal and the Scheme to privatisation proposals of other companies listed on the Main Board of the Stock Exchange announced since 1 January 2017 and up to the Latest Practicable Date, excluding privatisation proposals which were not/yet to be approved (or, where applicable, required acceptance level were not or yet to be achieved) or without a cash cancellation consideration/offer price (the “**Privatisation Precedents**”). The Privatisation Precedents set out below represent an exhaustive list of privatisation proposals, we were able to identify from the Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premia/discounts represented by the cancellation consideration/offer price over/to the respective last trading day and respective last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days average share prices in respect of such privatisation proposals. The Privatisation Precedents set out below provide a comparison between the cancellation consideration/offer price and the then prevailing market prices per share of successful privatisation proposals. Although the business nature, financial performance and position and scale of each company vary, and some aspects of pricing may be industry-specific, the below analysis, in our view, demonstrates the pricing of recent privatisations of Main Board listed companies in the Hong Kong stock market as a whole under recent market sentiments towards privatisations, a factor we consider relevant in assessing the range of reasonable cancellation prices/offer prices required for successful privatisations in the market. As such, we consider the Privatisation Precedents an appropriate basis in assessing the fairness and reasonableness of the Cancellation Price.

Date of the announcement	Company name and stock code	Cancellation consideration/offer price HK\$	Premium/(discount) of the cancellation consideration/offer price over/(to)						
			closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 60 trading days up to and including the last trading day (%)	average closing price per share for the last 90 trading days up to and including the last trading day (%)	average closing price per share for the last 120 trading days up to and including the last trading day (%)	average closing price per share for the last 180 trading days up to and including the last trading day (%)	
20-Oct-19	Dah Chong Hong Holdings Limited (stock code: 1828)	3.70	37.5	42.4	54.9	55.9	54.2	49.8	41.5
12-Aug-19	TPV Technology Limited (stock code: 903)	3.86	41.4	50.8	54.5	75.0	87.4	104.0	138.8
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (stock code: 1135)	10.22	23.4	33.4	44.4	50.4	56.5	63.5	71.0
18-Jun-19	C.P. Lotus Corporation (stock code: 121)	0.11	10.0	12.0	29.4	30.3	26.5	28.1	21.9
14-Jun-19	China Automation Group Limited (stock code: 569)	1.5	11.1	13.6	15.4	29.9	35.1	37.5	38.5

Date of the announcement	Company name and stock code	Cancellation consideration/offer price HK\$	Premium/(discount) of the cancellation consideration/offer price over/(to)						
			closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 60 trading days up to and including the last trading day (%)	average closing price per share for the last 90 trading days up to and including the last trading day (%)	average closing price per share for the last 120 trading days up to and including the last trading day (%)	average closing price per share for the last 180 trading days up to and including the last trading day (%)	
4-Apr-19	China Hengshi Foundation Company Limited (stock code: 1197)	2.5	10.6	16.8	17.5	19.0	24.4	25.4	27.5
28-Mar-19	China Power Clean Energy Development Company Limited (stock code: 735) (Note 2)	5.45	41.9	60.9	78.4	94.1	101.8	105.7	88.8
5-Dec-18	Hopewell Holdings Limited (stock code: 54)	38.80	46.7	51.6	55.5	54.1	49.6	48.2	43.7
30-Oct-18	Advanced Semiconductor Manufacturing Corporation Limited (stock code: 3355)	1.50	66.7	97.4	99.3	93.4	90.2	87.4	84.2
27-Sept-18	Sinotrans Shipping Limited (stock code: 368)	2.70	50.0	54.6	43.1	37.4	32.6	32.5	27.9
10-Jun-18	Hong Kong Aircraft Engineering Company Limited (stock code: 0044)	71.81	63.2	65.1	62.4	60.2	57.0	54.2	50.0
7-Jun-18	Portico International Holdings Limited (stock code: 0589)	4.10	50.2	53.2	49.2	45.2	45.8	48.1	49.9
10-Nov-17	Welling Holding Limited (stock code: 0382)	2.06	30.4	30.6	34.2	35.8	28.8	25.2	22.8
3-Jul-17	China Assets (Holdings) Limited (stock code: 0170)	6.80	61.5	74.1	76.7	77.1	76.6	75.4	74.0
19-Jun-17	Bloomage BioTechnology Corporation Limited (stock code: 0963)	16.30	16.8	24.8	24.8	30.8	34.0	35.4	32.6
29-May-17	China Metal International Holdings Inc. (stock code: 0319)	3.01	27.5	26.5	25.9	22.9	24.1	23.2	18.3
28-Apr-17	Belle International Holdings Limited (stock code: 1880)	6.30	19.5	23.6	21.5	22.9	28.4	30.2	26.4



Date of the announcement	Company name and stock code	Cancellation consideration/offer price	Premium/(discount) of the cancellation consideration/offer price over/(to)						
			average closing price per share for the last 10 trading days up to and including the last trading day	average closing price per share for the last 30 trading days up to and including the last trading day	average closing price per share for the last 60 trading days up to and including the last trading day	average closing price per share for the last 90 trading days up to and including the last trading day	average closing price per share for the last 120 trading days up to and including the last trading day	average closing price per share for the last 180 trading days up to and including the last trading day	
		HK\$	(%)	(%)	(%)	(%)	(%)	(%)	(%)
20-Apr-17	TCC International Holdings Limited (stock code: 1136) (Note 3)	3.60	38.5	43.1	51.0	66.9	76.2	78.3	88.8
29-Mar-17	Goldin Properties Holdings Limited (stock code: 0283)	9.00	14.2	32.9	32.9	30.5	34.1	39.3	46.7
7-Mar-17	Yingde Gases Group Company Limited (stock code: 2168)	6.00	(3.5)	8.8	21.2	47.1	58.5	63.6	77.9
10-Jan-17	Intime Retail (Group) Company Limited (stock code: 1833)	10.00	42.3	47.9	51.8	53.6	52.6	54.1	53.7
	<i>Mean (simple average)</i>		33.3	41.2	44.9	49.2	51.2	52.8	53.6
	<i>Median</i>		37.5	42.4	44.4	47.1	49.6	48.2	46.7
	<i>Maximum</i>		66.7	97.4	99.3	94.1	101.8	105.7	138.8
	<i>Minimum</i>		(3.5)	8.8	15.4	19.0	24.1	23.2	18.3
1-Nov-19	The Company	2.30	63.1	64.4	56.8	55.4	53.2	51.3	48.6

Source: Bloomberg and website of the Stock Exchange

Notes:

1. The premia/discounts of the cancellation consideration/offer price over/to the share price averages for the respective periods were calculated based on (i) the cancellation consideration/offer price as disclosed in the announcement/composite document/scheme document in relation to the privatisation proposal; and (ii) the historical share prices of the companies extracted from Bloomberg.
2. The cash alternative of HK\$5.45 for each ordinary scheme share had been used for the purpose of this comparison. The reference value for the share alternative implies a consideration of each ordinary scheme share of approximately HK\$3.77 to HK\$5.39 as disclosed in the scheme document.
3. The cash alternative of HK\$3.60 for each ordinary scheme share had been used for the purpose of this comparison. The reference value for the share alternative, for eligible investors based on the ratio of 0.42 on the applicable last trading date (being 17 April 2017) was HK\$3.93.
4. For the purpose of this table, last trading day represents the last full trading day in the respective shares immediately before the publication of the respective announcement.

The terms of the Privatisation Precedents set out above provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation. Based on the table above, the average premia of the Privatisation Precedents over the last trading day share price, 10 days, 30 days, 60 days, 90 days, 120 days and 180 days share price averages were approximately 33.3%, 41.2%, 44.9%, 49.2%, 51.2%, 52.8% and 53.6% respectively, and the premia represented by the Cancellation Price over the average closing prices of the Shares for the respective periods of approximately 48.6% to 64.4% are higher than the average premia for the last trading day share price, 10 days, 30 days, 60 days and 90 days share price averages, and close to the average premia for the 120 days and 180 days share price averages of the Privatisation Precedents. Overall, we consider the premia represents by the Cancellation Price is favourable to the Independent Shareholders as compared with market practice.

## **DISCUSSION**

Independent Shareholders should consider the Proposal and the Scheme based on the principal factors and reasons set out in detail above and summarised below.

### **(i) Recent results and prospects**

The Group's results in recent years have been affected by a number of factors, including, among other things, the slowdown in the economic growth in the PRC, the emergence of e-commerce and the changes in consumer demand. The Group has been modifying its operating strategies to adapt to the changing environment and the 2018 results showed some improvement over the 2016 to 2017 period, while still not reaching the levels achieved in the 2014 to 2015 period. The Group's changes in operating strategies will continue but the results of the implementation of the new strategies cannot be guaranteed. Given on-going challenges to the Group's business and the slowdown in the PRC economic growth, the Group's results are likely to be volatile.

### **(ii) Reasons for the Proposal and the Scheme**

The Group faces the needs to reassess its strategies for transformation, but the process may take time and bring uncertainty to the Group's financial performance in the short to medium term. One of the reasons for the Proposal is to streamline the decision making process of the Group. Following the implementation of the Proposal, the Offeror can make strategic decisions focused on the long-term benefits with a streamlined process to capture the fleeting business opportunities. No new Shares have been issued since the Company's listing since nine years ago so the listed status has not facilitated equity fund raising. The Proposal represents an opportunity for the Scheme Shareholders to realise their investment in the Company for cash at a premium, which we consider attractive, as summarised in paragraph (iii) below.

**(iii) Premium over market price of the Shares**

We have reviewed a number of factors when assessing the fairness of the Cancellation Price. One of the most important factors has been the premium of the Cancellation Price over recent Share prices prior to the publication of the Announcement, which is high. The Cancellation Price is higher than the closing Share prices in all trading days during the Review Period. Based on the summaries as set out in the section headed “4. Analysis of price performance and trading liquidity of the Shares” of this letter above, the Cancellation Price compares favourably to the closing Share prices, with a range of approximately 48.6% to 64.4% over different periods before the Last Trading Day that we have reviewed.

The Cancellation Price for the Scheme is HK\$2.30 per Scheme Share. **The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.** If the Scheme fails, the Offeror cannot in normal circumstances put forward another such proposal for at least twelve months.

**(iv) Trading generally not active**

Trading of the Shares has not been consistently active during the period we have reviewed. Although trading liquidity increased after publication of the Announcement, that level may not be sustained if the Scheme is not approved or otherwise lapses. The Proposal provides an opportunity for the Shareholders, especially those holding a large block of Shares, to dispose of their holdings at a fixed cash Cancellation Price without affecting market prices.

**(v) Adjusted NAV and historical P/B**

We have performed an analysis based on the Adjusted NAV which includes, among other things, adjustments for the net revaluation surplus of the property interests of the Group. The Cancellation Price represents a discount of approximately 38.8% over the Adjusted NAV per Share of approximately HK\$3.76 as at 30 June 2019. The Cancellation Price also represents an implied P/B (based on the Adjusted NAV) of approximately 0.61 times which is higher than the average of historical P/Bs of the Company during the Review Period up to the publication of the Announcement.

**(vi) Comparable Companies**

We have compared the Cancellation Price with Comparable Companies, and the Cancellation Price is comparable with the market range in terms of P/E and compares favourably than the median in terms of P/B.

**(vii) Privatisation Precedents**

We have compared the premium of the Cancellation Price over the historical trading prices of the Privatisation Precedents. The premia for the Scheme are higher than the average premia of the Privatisation Precedents over the last trading day share price, 10 days, 30 days, 60 days and 90 days share price averages, and close to the average premia for the 120 days and 180 days share price averages, which suggests the basis of the Cancellation Price is favourable compared with market practice.

**OPINION AND RECOMMENDATIONS**

Based on the above analysis, we consider the terms of the Proposal to be fair and reasonable so far as the Independent Shareholders are concerned and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

The closing Share price at the Latest Practicable Date was HK\$2.22 per Share, below the Cancellation Price of HK\$2.30 per Scheme Share. However, there is still a possibility that the Share price may exceed the Cancellation Price in the period up to 2 March 2020, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, Scheme Shareholders who wish to take advantage of the present circumstances to realise their investment in the Company are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than HK\$2.30 per Share.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**M. N. Sabine**  
*Chairman*

*Mr. M. N. Sabine is a licensed person registered with the SFC 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 over thirty years' experience in the corporate finance industry.*

*For illustration purposes and unless otherwise stated, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1: RMB0.90274.*

*This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).*

**A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
TO CANCEL AND EXTINGUISH ALL THE SCHEME SHARES**

**1. INTRODUCTION**

On 29 October 2019, the Offeror requested the Board to put forward the Proposal for the privatisation of the Company, which will involve the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to Scheme Shareholders, and the withdrawal of the listing of the Shares on the Stock Exchange. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Law.

If the Scheme is approved and the Proposal is implemented, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Shares cancelled and extinguished respectively. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal and to give the Independent Shareholders other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme becoming effective.

Particular attention is drawn to (a) a letter from the Board set out in Part IV of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out in Part V of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out in Part VI of this Scheme Document; and (d) the Scheme of Arrangement set out in Appendix III to this Scheme Document.

**2. THE PROPOSAL**

**THE SCHEME**

Under the Scheme, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$2.30 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

The Cancellation Price of HK\$2.30 per Scheme Share cancelled and extinguished represents:

- a premium of approximately 63.1% over the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 64.4% over the average closing price of approximately HK\$1.399 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day;
- a premium of approximately 56.8% over the average closing price of approximately HK\$1.467 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 Trading Days up to and including the Last Trading Day;
- a premium of approximately 55.4% over the average closing price of approximately HK\$1.480 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 Trading Days up to and including the Last Trading Day;
- a premium of approximately 53.2% over the average closing price of approximately HK\$1.501 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- a premium of approximately 51.3% over the average closing price of approximately HK\$1.520 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 Trading Days up to and including the Last Trading Day;
- a premium of approximately 48.6% over the average closing price of approximately HK\$1.548 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 Trading Days up to and including the Last Trading Day;
- a discount of approximately 18.1% over the unaudited consolidated net asset value after deducting non-controlling interests (the “NAV”) per Share of approximately HK\$2.81 as at 30 June 2019, calculated based on the NAV of the Group of approximately HK\$5,531,230,476 (based on the exchange rate of HK\$1: RMB0.90274, the central parity rate published by the People’s Bank of China on its website as at 25 October 2019 for illustrative purposes) and the 1,970,000,000 Shares in issue as at 30 September 2019; and
- a premium of approximately 3.6% over the closing price of HK\$2.22 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Highest and lowest prices of the Shares**

During the 4 years ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.28 on 3 May 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.94 on 1 August 2016.

The Cancellation Price has been determined on an arm's length basis after taking into account the financial information of the Group including the financial position of the Group as at 30 June 2019, the prices of the Shares traded on the Stock Exchange and other privatisation transactions in Hong Kong in recent years.

### **Trading volume and liquidity of the Shares**

The trading volume and liquidity of the Shares during the relevant periods prior to and including the Last Trading Day are illustrated below:

- on the Last Trading Day, a total number of approximately 690,000 Shares were traded with a turnover of approximately HK\$964,814;
- during the period from the last 10 Trading Days (i.e. 14 October 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 1,121,500 Shares, representing approximately 0.06% of the issued Shares as of 14 October 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,558,029;
- during the period from the last 30 Trading Days (i.e. 12 September 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 580,133 Shares, representing approximately 0.03% of the issued Shares as of 12 September 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$823,533;
- during the period from the last 60 Trading Days (i.e. 1 August 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 692,597 Shares, representing approximately 0.04% of the issued Shares as of 1 August 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,003,696;
- during the period from the last 90 Trading Days (i.e. 19 June 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 801,148 Shares, representing approximately 0.04% of the issued Shares as of 19 June 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,195,759;
- during the period from the last 120 Trading Days (i.e. 6 May 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 843,661 Shares, representing approximately 0.04% of the issued Shares, as of 6 May 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,280,411; and
- during the period from the last 180 Trading Days (i.e. 31 January 2019) up to and including the Last Trading Day, an average daily trading volume of approximately 1,179,043 Shares, representing approximately 0.06% of the issued Shares as of 31 January 2019 which was the first Trading Day of the aforesaid period, and average daily turnover of approximately HK\$1,855,088.

During the period from the last 180 Trading Days up to and including the Last Trading Day, there was no trading of the Shares on 5 Trading Days, representing approximately 2.78% of the total number of Trading Days during that period.

### **Scheme Conditions**

The Scheme will become effective and binding on the Offeror, the Company and the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) (i) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter increase the issued Shares to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the number of issued Shares in the share capital of the Company;
- (f) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Scheme required before the Scheme becoming effective having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;



- (g) all authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Scheme required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Scheme or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Scheme;
- (j) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Scheme could or might reasonably result in, to an extent which is material in the context of the Group taken as a whole:
  - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Group being repayable or being capable of being declared payable prior to their stated maturity;
  - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Group or any such security (whether arising or having arisen) becoming enforceable; and
  - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder; and

- (k) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group from the Announcement Date up to the date when all the Scheme Conditions are satisfied or validly waived (as applicable).

The Offeror reserves the right to waive Scheme Conditions (f) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived (as applicable), the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point it will become effective and binding on the Offeror, the Company and all the Scheme Shareholders.

Assuming that the Scheme Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around 27 February 2020 (Cayman Islands time). An expected timetable is set out in Part III of this Scheme Document.

In respect of Scheme Conditions (f) to (h), the Offeror is not currently aware of any authorisations or consents which are required.

The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the Scheme Conditions. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will not invoke any Scheme Condition so as to cause the Scheme not to become effective unless the circumstances which give rise to the right to invoke the Scheme Condition are of material significance to the Offeror in the context of the Scheme.

As at the Latest Practicable Date, none of the Scheme Conditions have been fulfilled or waived.

## **PROPOSAL**

The implementation of the Scheme is conditional upon all the Scheme Conditions being fulfilled (or waived as applicable) on or before the Long Stop Date. If all the Scheme Conditions are fulfilled (or waived as applicable) on or before the Long Stop Date, the Offeror will implement the Scheme to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange.

Shares directly or indirectly held by the Offeror as at the Scheme Record Time on the Scheme Record Date do not count as Scheme Shares.

**Warnings:**

**Shareholders and potential investors of the Company should be aware that the implementation of the Scheme is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus the Scheme may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

**3. REASONS FOR AND BENEFITS OF THE PROPOSAL**

The principal activity of the Group is the operation of department stores and supermarkets in Mainland China. Factors such as decreasing momentum in global economic growth, reform in the retail industry as well as evolving and diversifying consumer trends challenge the Group's business model.

In order to reposition itself in the dynamic environment of the retail industry, the Group may have to reassess its strategies and implement necessary changes. The process may take time and bring uncertainty to the Group's financial performance in the short to medium term, which may alter dividend payout.

Following the implementation of the Proposal, the Offeror can make strategic decisions focused on the long-term benefits, free from the pressure of short-term profit expectation associated with being a publicly listed company, and the decision making process will be streamlined to capture the fleeting business opportunities when the Company no longer has to fulfill the listing compliance requirement of Stock Exchange.

Since the Company's listing on the Stock Exchange in October 2010, the listing platform has not been utilized for any further equity fund raising activities. The liquidity of Shares has been at a relatively low level over a long period of time. The average daily trading volume of the Shares for last 90 Trading Days (i.e. 19 June 2019) up to and including the Last Trading Day was approximately 801,148 Shares per day, representing only approximately 0.04% of the issued Shares as of 19 June 2019 which was the first Trading Day of the aforesaid period. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs. The Offeror considers the listing platform of limited benefit to both the Group and Shareholders.

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

The Cancellation Price of HK\$2.30 is higher than the highest closing price in the recent 4 years. The Cancellation Price represents (i) a premium of approximately 56.8%, 55.4%, 53.2%, 51.3%, and 48.6% over average closing prices of the Shares of each of the 30/60/90/120/180 Trading Days, respectively, up to and including the Last Trading Day; and (ii) a premium of approximately 3.6% over the closing price on the Latest Practicable Date.

The board has declared dividends in each of the three years ended 31 December 2016, 2017 and 2018 but the Company does not expect to declare or distribute any dividends before the Effective Date.

#### 4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The Proposal will involve the cancellation and extinguishment of the Scheme Shares at the Cancellation Price of HK\$2.30 per Scheme Share cancelled and extinguished. As at the Latest Practicable Date, there are 1,970,000,000 Shares in issue of which the Offeror holds an aggregate of 1,442,500,000 Shares, and there are 527,500,000 Scheme Shares in issue. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The amount of cash required for the Scheme is approximately HK\$1,213.25 million.

The Offeror intends to finance the cash required for the Proposal through a loan facility. DBSAC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

#### 5. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares, and the Company has 1,970,000,000 Shares in issue.

The table below sets out the simplified shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) on the basis that the Scheme becomes effective, immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Scheme	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Offeror (Note 1)</b>	1,442,500,000	73.22	1,970,000,000	100
<b>Other Offeror Concert Parties</b>				
Celestial Spring (Note 2)	23,336,000	1.18	–	–
Total number of Scheme Shares held by the Independent Shareholders (Note 2)	504,164,000	25.59	–	–
<b>Total</b>	<b>1,970,000,000</b>	<b>100</b>	<b>1,970,000,000</b>	<b>100</b>

*Notes:*

1. The Offeror is wholly-owned by Octopus Holdings. Mr. Chen as the sole shareholder of Octopus Holdings is deemed to be interested in Shares held by the Offeror.
2. Mr. Tao, a non-executive Director, is interested in approximately 38.46% of the shareholding of Celestial Spring, which holds 23,336,000 Shares in the Company. The Scheme Shares include such 23,336,000 Shares. However, given Mr. Tao is presumed to be acting in concert with the Offeror under Class (6) of the definition of “acting in concert” under the Takeovers Code, Celestial Spring will be required to abstain from voting at the Court Meeting as it is not an Independent Shareholder.
3. All percentages in the above table are approximations.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. The Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

**6. OFFEROR’S INTENTION REGARDING THE COMPANY**

The Company is incorporated in the Cayman Islands with limited liability and the Company has been listed on the Main Board of the Stock Exchange since 21 October 2010 with the stock code 1700. The Group is principally engaged in the operation of department stores and supermarkets in Mainland China.

Following implementation of the Proposal, the Offeror intends that the Company should continue carrying on its current business and do not intend to make any major changes to the current operations, or discontinue the employment of the employees of the Group nor do they have plans to redeploy any of the fixed assets of the Group after implementation of the Proposal. The Offeror will continue to monitor the Group’s performance and implement appropriate strategies for the Group and its business in light of the challenging environment for retail businesses in the PRC.

**7. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands which is wholly-owned by Octopus Holdings. Mr. Chen is the sole shareholder of Octopus Holdings, and is thus deemed to be interested in Shares held by the Offeror.

As at the Latest Practicable Date, the sole director of the Offeror is Mr. Chen, who is acting in concert with the Offeror under the definition of “acting in concert” in the Takeovers Code.

**8. INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee, comprising a non-executive Director, namely Mr. Fung Hiu Chuen, John, and the following independent non-executive Directors, Dr. Lin Zhijun, Dr. Zhang Weijiong and Mr. Cheung Yat Ming, has been established by the Board to make a recommendation to the Independent Shareholders and as to whether the terms of the Scheme are, or are not, fair and reasonable and as to voting.

As at the Latest Practicable Date, Mr. Chen, being the executive Director, and Mr. Tao, being a non-executive Director, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors, who are not required to abstain from voting, believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders. The Independent Board Committee has given its recommendation as set out in Part V of this Scheme Document after taking into account the advice of the Independent Financial Adviser.

The Independent Shareholders are reminded to carefully read this Scheme Document, including the letter of advice from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document before making a decision.

**9. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE**

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

**10. WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective in accordance with Rule 6.15(2) of the Listing Rules. The Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme is set out in Part III of this Scheme Document, which contains further details of the Scheme.

The Company will be privatised by way of a scheme of arrangement (under section 86 of the Companies Law) in compliance with the Takeovers Code and all the relevant requirements, and it is the Company's intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

**11. IF THE SCHEME IS NOT APPROVED OR OTHERWISE LAPSES**

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Scheme Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective.

If the Scheme is not approved or otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. If they are in doubt as to the action they should take, they should consult their stockbroker, bank manager, solicitor or other professional advisers.

**12. OVERSEAS SCHEME SHAREHOLDERS**

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

As at the Latest Practicable Date, the Company does not have any overseas Scheme Shareholders.

**13. SCHEME SHARES, COURT MEETING AND EGM**

As at the Latest Practicable Date, the Offeror holds an aggregate of 1,442,500,000 Shares representing approximately 73.22% of the total number of issued Shares in the share capital of the Company. Such 1,442,500,000 Shares will not constitute Scheme Shares and such 1,442,500,000 Shares together with 23,336,000 Shares held by Celestial Spring will not be voted on the Scheme at the Court Meeting.

The Offeror and the Offeror Concert Parties have undertaken to the Grand Court that they will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

DBSAC is presumed to be acting in concert with the Offeror under class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, no Shares are owned, controlled or directed by DBSAC.

All Shareholders will be entitled to attend the EGM and vote on, among other things, (i) a special resolution to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares, (ii) a special resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective, and (iii) an ordinary resolution to immediately thereafter increase the number of issued Shares in the share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

The Offeror has undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

#### **14. COSTS OF THE SCHEME**

If the Independent Board Committee or the independent financial adviser to the Independent Board Committee does not recommend the Scheme, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

#### **15. GENERAL**

The Offeror has appointed DBSAC as its financial adviser in connection with the Proposal.

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares between the Offeror and the Offeror Concert Parties and any other person which might be material to the Proposal.

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Scheme Condition.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror and the Offeror Concert Parties. No irrevocable commitment to vote for or against the Scheme has been received by the Offeror and the Offeror Concert Parties, as at the Latest Practicable Date.



As at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between any Shareholders and the Offeror and the Offeror Concert Parties. The Company confirms that, as at the Latest Practicable Date, there is no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

## **16. COURT MEETINGS AND EGMS**

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Independent Shareholders whose names appear on the register of members of the Company as at the Scheme Court Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting in person or by proxy. The Offeror and the Offeror Concert Party will not vote on the Scheme at the Court Meeting.

In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will counted as one Shareholder under the “for” and as one shareholder under “against”. The number of votes cast in favour of the Scheme or and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the “75% in value” requirement will be met if the total value of the Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement will be met if the number of the Independent Shareholders voting in favour of the Scheme exceeds the number of the Independent Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of the Independent Shareholders, present and voting in person or by proxy, will be counted.

The EGM will be held as soon as after the Court Meeting has been concluded or adjourned for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing all Scheme Shares. All Shareholders will be entitled to attend and vote in person or by proxy on such resolutions at the EGM.

At the EGM, a poll will be taken and each Shareholder present and vote, either in person or by proxy, will be entered to vote all of his/her/its Shares in favour of (or against) the special resolutions and/or the ordinary resolution. Alternatively, such Shareholder may vote some of their Shares in favour of the special resolutions and/or the ordinary resolution and any or all of the balance of their Shares against the special resolutions and/or the ordinary resolution (and vice versa).

At the relevant EGM, the special and ordinary resolutions will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document.

#### **17. ACTIONS TO BE TAKEN BY THE SHAREHOLDERS**

Your attention is drawn to the section headed “Actions to be taken – Actions to be taken by the Shareholders” set out in Part II of this Scheme Document.

#### **18. RECOMMENDATIONS**

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter and the letter of advice from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in the letter from the Independent Financial Adviser in Part VI of this Scheme Document. The Independent Board Committee’s recommendation is set out in Part V of this Scheme Document.

As at the Latest Practicable Date, Mr. Chen, being the executive Director, and Mr. Tao, being a non-executive Director, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. The Directors, who are not required to abstain from voting, believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Scheme Shareholders.

**19. REGISTRATION AND PAYMENT**

Assuming that the Scheme Record Date falls on Thursday, 27 February 2020, it is proposed that the register of members of the Company will be closed from Wednesday, 12 February 2020 (or such other date as the Shareholders may be notified by way of an announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Shareholders should ensure that the transfers of their Shares are lodged with the Hong Kong branch share registrar and transfer office of the Company for registration in their names or in the names of their nominees before 4:30 p.m. on Tuesday, 11 February 2020. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**Payment of the Cancellation Price to Scheme Shareholders**

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Time on the Scheme Record Date. On the basis that the Scheme becomes effective on or about Thursday, 27 February 2020 (Cayman Islands time), cheques for payment of the Cancellation Price will be paid for by the Offeror as soon as possible but in any event within 7 Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Monday, 9 March 2020. Cheques will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, DBSAC, the Hong Kong branch share registrar and transfer office of the Company, being Computershare Hong Kong Investor Services Limited will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, without any accrued interest, to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Thursday, 27 February 2020 (Cayman Islands time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any encumbrance, lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

**20. TAXATION**

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective. The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

**21. THE SCHEME AND THE COURT MEETING**

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the Company.

**22. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarized above, other than with the consent of the Executive, a scheme of arrangement used to privatize a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at the at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 504,164,000 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders was approximately 50,416,400 Shares.

**23. BENEFICIAL OWNERS**

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become Shareholders so that they can attend the Court Meeting in the capacity as members of the Company or be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Shareholders as required under Section 86 of the Companies Law in their capacity as members of the Company;
- (b) to enable the Company to properly classify members of the Company as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such person(s) if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or such other relevant person in advance of the deadline(s) in respect of the Court Meeting and the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedures for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

**24. BINDING EFFECT OF THE SCHEME**

Upon the Scheme becoming effective, it will be binding on the Company, the Offeror and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and/or the EGM.

**25. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL**

As at the Latest Practicable Date, none of the Offeror and persons acting in concert with it has received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM.

**26. SUMMARY OF ACTIONS TO BE TAKEN**

The summary of actions to be taken by the Shareholders can be found in the section headed “Actions to be Taken” set out in Part II of this Scheme Document.

**27. RECOMMENDATION**

Your attention is drawn to the following:

- (a) the paragraph headed “18. Recommendations” in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in Part VI of this Scheme Document.

**28. FURTHER INFORMATION**

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

The Independent Shareholders and Shareholders should rely only on the information contained in this Scheme Document. None of the Offeror, the Company, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers or any of their respective directors, officers or associates or any other person involved in the Proposal has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

## 1. FINANCIAL SUMMARY

The following summary financial information for each of the six months period ended 30 June 2018 and 30 June 2019 and each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 has been extracted from the results announcement and published financials statement of the Company for the six months period ended 30 June 2018 and 2019 and for the years ended 31 December 2016, 2017 and 2018.

*Consolidated statement of Profit or Loss*

	<b>For the six months ended 30 June 2019</b>	<b>For the six months ended 30 June 2018</b>	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB'000 (Unaudited)</i>	<i>RMB'000 (Unaudited)</i>	<i>RMB'000 (Audited)</i>	<i>RMB'000 (Audited)</i>	<i>RMB'000 (Audited)</i>
Revenue	2,392,028	2,372,263	4,607,943	4,444,039	4,192,723
Cost of sales	1,309,073	1,335,820	(2,578,595)	(2,600,439)	(2,480,538)
Gross profit	1,082,955	1,036,443	2,029,348	1,843,600	1,712,185
Other revenue	401,886	342,832	689,089	671,511	699,830
Other net gain	263	13,270	13,687	90	11,487
Staff costs	(354,981)	(348,085)	(700,123)	(702,988)	(667,339)
Depreciation and amortisation	(301,173)	(291,307)	(523,007)	(485,287)	(438,871)
Rental expenses	(3,259)	(8,018)	(99,752)	(106,292)	(94,076)
Other expenses	(338,492)	(321,661)	(683,326)	(623,621)	(651,506)
Share of profits and losses of associates	(336)	–	(71)	–	–
Profit from operation	486,863	423,474	725,845	597,013	571,710
Finance costs	(73,499)	(67,051)	(109,746)	(65,751)	(75,282)
Profit before taxation	413,364	356,423	616,099	531,262	496,428
Income tax	(148,244)	(119,661)	(219,750)	(192,767)	(174,041)
Profit for the period	265,120	236,762	396,349	338,495	322,387
Attributable to:					
Equity shareholders of the Company	267,440	240,551	400,017	340,019	325,058
Non-controlling interests	(2,320)	(3,789)	(3,668)	(1,524)	(2,671)
Earning per share Basic and Dilute (RMB cents)	13	11	19	15	14

## Consolidated statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June 2019 <i>RMB'000</i> <i>(Unaudited)</i>	For the six months ended 30 June 2018 <i>RMB'000</i> <i>(Unaudited)</i>	For the year ended 31 December 2018 <i>RMB'000</i> <i>(Audited)</i>	For the year ended 31 December 2017 <i>RMB'000</i> <i>(Audited)</i>	For the year ended 31 December 2016 <i>RMB'000</i> <i>(Audited)</i>
Profit/(loss) for the period	265,120	236,762	396,349	338,495	322,387
Other comprehensive income/ (loss) for the period					
Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	3,610	(18,848)	(68,787)	73,069	(74,285)
Net other comprehensive income/(loss) that may be reclassified to profit or income in subsequent periods	3,610	(18,848)	(68,787)	73,069	(74,285)
Other comprehensive income/(loss) for the period (Net of tax)	3,610	(18,848)	(68,787)	73,069	(74,285)
Total comprehensive income for the period	268,730	217,914	327,562	411,564	(248,102)
Attributable to:					
Equity shareholders of the Company	271,050	221,703	331,230	413,088	250,773
Non-controlling interests	(2,320)	(3,789)	(3,668)	(1,524)	(2,671)



For the six months period ended 30 June 2018 and 2019 and each of the three years ended 31 December 2016, 2017 and 2018, the Board has resolved to declare dividends as follows:

<b>Period</b>	<b>Dividends Declared (HK\$)</b>
Final dividends for the financial year ended 31 December 2018	0.07
Final dividends for the financial year ended 31 December 2017	0.05
Final dividends for the financial year ended 31 December 2016	0.05
Interim dividends for the six months period ended 30 June 2019	0.04
Interim dividends for the six months period ended 30 June 2018	0.03

The financial information for the six months period ended 30 June 2018 and 2019 are unaudited. The auditor's reports issued by Ernst & Young in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2016, 2017 and 2018 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

## 2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Scheme Document the statement of financial position, statement of cash flows and any other primary statement as shown in the last published audited accounts and preliminary announcement made since the last published audited accounts, together with the notes to the relevant published accounts or preliminary announcement which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Company for the year ended 31 December 2018 (the "**2018 Financial Statement**") are set out on pages 80 to 213 of the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), which was published on 17 April 2019. The 2018 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417858.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2017 (the "**2017 Financial Statement**") are set out on pages 91 to 209 of the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), which was published on 23 April 2018. The 2017 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2017 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423737.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2016 (the "**2016 Financial Statement**") are set out on pages 91 to 209 of the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"), which was published on 20 April 2017. The 2016 Annual Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2016 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0420/ltn20170420903.pdf>

The latest unaudited condensed interim financial information of the Company for the six months period ended 30 June 2019 (the “**2019 Interim Financial Information**”) are set out on pages 27 to 70 of the interim report of the Company for the six months period ended 30 June 2019 (the “**2019 Interim Report**”), which was published on 29 August 2019. The 2019 Interim Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2019 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0829/ltn20190829822.pdf>

The unaudited condensed interim financial information of the Company for the six months period ended 30 June 2018 (the “**2018 Interim Financial Information**”) are set out on pages 27 to 62 of the interim report of the Company for the six months period ended 30 June 2018 (the “**2018 Interim Report**”), which was published on 22 August 2018. The 2018 Interim Report is posted on the website of the Stock Exchange and the Company, please also see below a direct link to the 2018 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0822/ltn20180822471.pdf>

The 2018 Financial Statement and 2019 Interim Financial Information (but not any other part of the 2018 Annual Report and 2019 Interim Report in which they appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

### 3. INDEBTEDNESS STATEMENT

#### Interest-Bearing Bank Borrowings and other borrowings

As at the close of business on 31 October 2019, the Group had interest-bearing debts of approximately RMB3,225,744,000, which were on an unsecured basis.

	<b>As at 31 October 2019 RMB'000</b>
Bank loans:	
Unsecured	3,213,444
Interest-bearing other borrowings	
Related parties-unsecured ( <i>Note 1</i> )	1,500
Related parties-unsecured ( <i>Note 2</i> )	10,800
	<u>3,225,744</u>
Bank loans repayable:	
Within one year on demand	2,070,612
Over one year but within two years	379,832
Over two years but within five years	763,000
	<u>3,213,444</u>
Other borrowings repayable:	
Within one year on demand	12,300

*Notes:*

1. The balance is a one-year short term loans from the controlling Shareholder, Mr. Chen, the annual interest rate is 4.35%.
2. The balance is a one-year short term loans from the related-party Octopus Capital Investment Limited, the annual interest rate is 4.35%.

**Lease Liabilities**

As at the close of business on 31 October 2019, the Group had lease liabilities under International Financial Reporting Standard 16 in the following amount:

	<i>RMB'000</i>
Lease Liabilities	<u>745,580</u>

**Contingent Liabilities**

As at the close of business on 31 October 2019, the Group had neither any guarantee nor any other contingent liabilities in existence.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, guarantee and other contingent liabilities, debentures, loan capital and debt securities (issued and outstanding or agreed to issue), bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits as at the close of business on 31 October 2019.

The Directors are not aware of any material changes in the indebtedness and contingent liabilities of the Group since 31 October 2019 (being the date to which the indebtedness statement is made) and up to the Latest Practicable Date.

**4. CHANGE OF ACCOUNTING POLICIES**

The Group adopted IFRS 16, Lease (“**IFRS 16**”) using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The Group had elected for the full retrospective approach for the adoption of IFRS 16 as if it had already been effective at the commencement date of existing lease contracts.

IFRS 16 sets out the principles for the recognition, measure, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating leases using similar principles as in IAS 17. Therefore, IFRS did not have any financial impact on leases where the Group is the lessor.

Furthermore, the Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“**short-term leases**”) and lease contracts for which the underlying asset is of low value (“**low-value assets**”).

Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position as at 31 December 2018:

**Impact on the statement of profit or loss of the Company**

	<b>Increase/ (decrease)</b> <i>RMB'000</i> (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	2,218,689
Decrease in prepaid land premium	(1,579,888)
Decrease in long-term prepayments	(5,600)
Increase in deferred tax assets	21,030
Decrease in prepayments, other receivables and other assets	(37,168)
	<hr/>
Increase in total assets	617,063
	<hr/> <hr/>
<b>Liabilities</b>	
Increase in other payables and accruals	2,470
Decrease in long-term payables	(74,623)
Increase in other liabilities	755,575
	<hr/>
Increase in total liabilities	683,422
	<hr/>
Decrease in retained earnings	(66,359)
	<hr/> <hr/>

**Impact on the statement of cash flows for the six months ended 30 June 2018 of the Company**

	<b>Increase/ (decrease)</b> <i>RMB'000</i> (Unaudited)
Increase of net cash flows from operating activities	36,393
Decrease of net cash flows from financing activities	(36,393)
	<hr/> <hr/>

**Lease liabilities and Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and lease liabilities (including within "other liabilities"), and the movement as at 31 December 2018 and 30 June 2019 are as follows:

	<b>Right-of-use Assets</b>			<b>Lease liabilities</b>
	<b>Prepaid land premium</b>	<b>Buildings and machinery</b>	<b>Sub-total</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2018</b>	1,579,888	638,801	2,218,689	755,575
Additions	–	10,287	10,287	9,412
Depreciation expense	(20,764)	(35,729)	(56,493)	–
Capitalized as property, plant and equipment for the period	(3,086)	–	(3,086)	–
Interest expense	–	–	–	17,903
Impairment	–	(22,000)	(22,000)	–
Payments	–	–	–	(39,119)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 30 June 2019</b>	<u>1,556,038</u>	<u>591,359</u>	<u>2,147,397</u>	<u>743,771</u>

**5. MATERIAL CHANGE**

As set out in the Company's interim report for the six months ended 30 June 2019, the Group recorded a profit attributable to the Shareholders of approximately RMB267.4 million, representing an increase of approximately 11.2% as compared with a profit attributable to the Shareholder of approximately RMB240.6 million for the six months ended 30 June 2018. The increase was primarily due to increased fee income from suppliers, including promotion fees, management fees paid by suppliers for participating in the promotional activities, reimbursing electricity charge and material, etc, during the period. Such increase was partially offset by (i) increased finance costs with more interest incurred on bank borrowings; and (ii) the increase in other expenses, which was primarily attributable to the increase in the number of stores in expansion of stores network which resulted in the rise in staff costs, depreciation and amortization, the provision for impairment of property, plant and equipment, and the provision for impairment of right-of-use assets.

On 18 June 2019, Jiangyin Yaohan Business Centre Company Limited (an indirectly wholly-owned subsidiary of the Company) (“**Jiangyin Yaohan**”) being the purchaser, and Jiangyin Yunlong Property Company Limited (“**Jiangyin Yunlong**”), being the vendor, entered into the property framework cooperation agreement, pursuant to which both parties agreed to the lease-purchase manner for Jiangyin Yaohan to operate a property located in Jiangyin City, which is planned for commercial and business use, at the consideration of RMB1,020,000,000 (inclusive of tax). On the same date, Jiangyin Yunlong and Jiangyin Yaohan also entered into the property tenancy agreement, pursuant to which Jiangyin Yunlong has agreed to lease the abovementioned property to Jiangyin Yaohan, prior to completing the transfer of ownership to Jiangyin Yaohan as shown on the real estate certificate. Further details of the cooperation agreement and the tenancy agreement are set out in the announcement of the Company dated 18 June 2019 and the circular of the Company dated 30 August 2019. The transfer of ownership of the abovementioned property has been completed in early November 2019.

Save as (i) set out in this Scheme Document as regards the Proposal and the Scheme; and (ii) the items as disclosed above, the directors of the Company confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**1.     RESPONSIBILITY STATEMENTS**

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror and the Group.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

**2.     SHARE CAPITAL**

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares at a par value of HK\$0.01 each;
- (b) the issued share capital for Shares of the Company was HK\$19,700,000 divided into 1,970,000,000 Shares at a par value of HK\$0.01 each;
- (c) the Company has not issued any preference shares;
- (d) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital; and
- (e) other than the Shares as disclosed above, there were no other outstanding options, warrants, derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.



**3.      DISCLOSURE OF INTERESTS**

**(a)      Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the “**Model Code**”) were as follows:

*(i)      Long positions in Shares of the Company*

<b>Name of Director/chief executive</b>	<b>Number of Shares held</b>	<b>Approximate percentage of interest in the Company (rounded) (Note 1)</b>
Mr. Chen Jianqiang	1,442,500,000	73.22%
Mr. Tao Qingrong	23,336,000	1.18%

*(ii)      Long positions in Shares of associated corporations*

<b>Name of Director/ chief executive</b>	<b>Name of associated corporation</b>	<b>Number of Shares held</b>	<b>Approximate percentage of interest in the Company (rounded) (Note 1)</b>
Mr. Chen Jianqiang	Octopus (China) Holdings Limited <i>(Note 2)</i>	1,442,500,000	73.22%
Mr. Chen Jianqiang	Octopus Holdings Foundation	1,442,500,000	73.22%
Mr. Tao Qingrong	Celestial Spring Limited <i>(Note 3)</i>	23,336,000	1.18%

*Notes:*

1.      Based on 1,970,000,000 Shares in issue as at the Latest Practicable Date.
2.      The Offeror directly holds 1,442,500,000 Shares in the Company, which is a wholly-owned subsidiary of Octopus Holdings, which is in turn wholly-owned by Mr. Chen.
3.      Mr. Tao is interested in approximately 38.46% of the shareholding of Celestial Spring.

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## APPENDIX II      GENERAL INFORMATION OF THE GROUP AND THE OFFEROR

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Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associate(s) had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Chen, being the executive Director, and Mr. Tao, being a non-executive Director, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. They, in respect of each of their beneficial shareholdings in the Company, intend to accept the Proposal.

**(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares**

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

**Long positions in the Shares of the Company**

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in the Company <i>(rounded)</i> <i>(Note 1)</i>
Octopus Holdings Foundation <i>(Note 2)</i>	Interest of controlled corporation	1,442,500,000	73.22%
International Value Advisers, LLC	Investment manager	118,612,000	6.02%
FIL Limited <i>(Note 3)</i>	Interest of controlled corporation	101,331,000	5.14%
Pandanus Associates Inc. <i>(Note 3)</i>	Interest of controlled corporation	101,331,000	5.14%
Pandanus Partners L.P. <i>(Note 3)</i>	Interest of controlled corporation	101,331,000	5.14%

*Notes:*

1. Based on 1,970,000,000 Shares in issue as at the Latest Practicable Date.
2. The Offeror is wholly-owned by Octopus Holdings. Mr. Chen as the sole shareholder of Octopus Holdings is deemed to be interested in Shares held by the Offeror.
3. Pandanus Partners L.P. is a wholly-owned subsidiary of Pandanus Associates Inc.; Pandanus Partners L.P. holds 38.10% shareholding of FIL Limited; Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited are therefore deemed to be interested in the 101,331,000 Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its directors and the Offeror Concert Parties, owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other associate of the Offeror under the Takeovers Code.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.

As at the Latest Practicable Date, there is no agreement, arrangement for or understanding for any transfer, charge or pledge of the Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any party acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

**(c) Dealings in the relevant securities of the Company**

- (1) During the Relevant Period, none of the Offeror or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (2) During the Relevant Period, none of the director of the Offeror had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (3) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (4) During the Offer Period and up to the Latest Practicable Date:
  - (i) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

**(d) Interest in the Offeror**

As at the Latest Practicable Date, none of the Company or any of the Directors, other than Mr. Chen, had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

**(e) Dealings in the securities of the Offeror**

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

**(f) Other arrangements in relation to the Proposal**

As at the Latest Practicable Date:

- (i) no benefit was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (iii) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a Scheme Condition; and
- (iv) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal.

**(g) Other interests**

As at the Latest Practicable Date:

- (i) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or by an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code;

- (ii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;
- (iv) no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror or any person acting in concert with it and any of the Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (v) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (vi) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

#### **4. MATERIAL LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any of its subsidiaries.

#### **5. MATERIAL CONTRACTS**

Save as disclosed below, no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and were or might be material:

- (a) the property framework cooperation agreement dated 18 June 2019 entered into between Jiangyin Yaohan Business Centre Company Limited (“**Jiangyin Yaohan**”), an indirect wholly-owned subsidiary of the Company, as purchaser and Jiangyin Yunlong Property Company Limited (“**Jiangyin Yunlong**”) as vendor in relation to the lease-purchase arrangement for Jiangyin Yaohan to operate the land and building located between east of Zhencun Road, south of Huancheng South Road, west of Hongqiao South Road, north of Zhongwei Road of Chengjiang Street, Jiangyin City, Jiansu Province, PRC (the “**Property**”) at the consideration of RMB1,020,000,000 (inclusive of tax); and
- (b) the agreement for lease of the Property dated 18 June 2019 entered into between Jiangyin Yaohan as lessee and Jiangyin Yunlong as lessor in relation to the leasing of the Property for a term of 20 years from 1 September 2019 to 31 August 2039. During the rental period, rents for the first and second year amounting to RMB5,000,000 per annum; for the third year amounting to RMB20,000,000 per annum; for the fourth to seventh year amounting to RMB30,000,000; from the eighth year onwards, the rents will increase by 5% once every 3 years; from the eleventh year onwards, the rents will increase by 10% once every 3 years.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six (6) months preceding the Latest Practicable Date; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period.

**7. MARKET PRICES**

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Trading Day of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price (HK\$)</b>
31 May 2019	1.54
28 June 2019	1.53
31 July 2019	1.55
30 August 2019	1.48
30 September 2019	1.55
25 October 2019 (Last Trading Day)	1.41
29 November 2019	2.14
31 December 2019	2.20
10 January 2020 (Latest Practicable Date)	2.22

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.22 per Share on 20 December 2019, 27 December 2019, 3 January 2020, 9 January 2020 and 10 January 2020 (Latest Practicable Date) and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.35 per Share on 18 October 2019.

**8. CONSENTS AND QUALIFICATIONS OF EXPERTS**

The following are the qualifications of the experts (the “**Experts**”) who have been named in this Scheme Document or have given opinion or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualification</b>
DBSAC	a licensed corporation under the SFO, licensed to carry out Type 1 ( <i>dealing in securities</i> ), Type 4 ( <i>advising on securities</i> ) and Type 6 ( <i>advising on corporate finance</i> ) regulated activities
Somerley Capital Limited	a licensed corporation under the SFO, licensed to carry out Type 1 ( <i>dealing in securities</i> ) and Type 6 ( <i>advising on corporate finance</i> ) regulated activities
Grant Sherman	independent property valuer
Ernst & Young	certified public accountants

Each of the Experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of the Experts has any shareholdings in the Company.

## **9. MISCELLANEOUS**

- (i) The sole director of the Offeror is Mr. Chen.
- (ii) The registered office of the Offeror is situated at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is 6 Raffles Boulevard, Marina Square #03-308, Singapore 039594.
- (iii) The Offeror is a company incorporated in the British Virgin Islands which is wholly-owned by Octopus Holdings, a limited liability exempted company incorporated in the Cayman Islands, which is in turn wholly-owned by Mr. Chen.
- (iv) The registered office of Octopus Holdings is situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands, while the correspondence address of Octopus Holdings is 6 Raffles Boulevard, Marina Square #03-308, Singapore 039594, and Mr. Chen is the sole director and the sole shareholder of Octopus Holdings.
- (v) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (vi) The registered office of Celestial Spring is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Mr. Zhu Tao and Mr. Jiang Changlin are the directors of Celestial Spring. Mr. Tao holds approximately 38.46% equity interest in Celestial Spring, and Mr. Zhu Tao and Mr. Jiang Changlin each holds approximately 30.77% equity interest in Celestial Spring.
- (vii) The principal place of business of DBSAC is at 73/F, The Center, 99 Queen's Road Central, Hong Kong.
- (viii) The principal office of the Company in Hong Kong is situated at Unit C, 8/F, Grandion Plaza, 932 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (ix) The company secretary of the Company is Mr. Lai Ho Wai ("**Mr. Lai**"), Mr. Lai graduated from Lingnan University with a degree of Bachelor of Social Sciences. Mr. Lai also holds a degree of Master of Corporate Governance from The Open University of Hong Kong. Mr. Lai is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He has complied with all the required qualifications, experience and training requirements of the Listing Rules.

- (x) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, situated at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (xi) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit C, 8/F., Grandion Plaza, 932 Cheung Sha Wan Road, Kowloon, Hong Kong from 9:30 a.m. to 5:00 p.m. (except Saturday, Sunday and public holidays) and on the website of the Company at [www.springlandgroup.com.cn](http://www.springlandgroup.com.cn) and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) during the period from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum and articles of association of the Company;
- (iii) the annual reports of the Company for the years ended 31 December 2018, 31 December 2017 and 31 December 2016 respectively;
- (iv) the interim report of the Company for the six months ended 30 June 2019;
- (v) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (viii) the written consents issued by DBSAC, Somerley Capital Limited, Grant Sherman and Ernst & Young referred to in the paragraph headed "8. Consents and qualifications of experts" in this Appendix;
- (ix) the material contracts as set out in the section headed "5. Material contracts" in this Appendix;
- (x) the letter and full property valuation report of the Group (including valuation certificates) prepared by Grant Sherman, the text of which is set out in Appendix VI to this Scheme Document; and
- (xi) this Scheme Document.



**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

Cause No. FSD 241 of 2019

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2018 REVISION) (AS AMENDED)**

**AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102**

**AND IN THE MATTER OF SPRINGLAND INTERNATIONAL HOLDINGS LIMITED 華地國際控股有限公司**

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**SCHEME OF ARRANGEMENT**

**Between**

**Springland International Holdings Limited  
華地國際控股有限公司**

**and**

**THE SCHEME SHAREHOLDERS  
(as hereinafter defined)**

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(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

<b>“acting in concert”</b>	has the same meaning ascribed to it in the Takeovers Code
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
<b>“Cancellation Price”</b>	the cancellation price of HK\$2.30 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme of Arrangement for every Scheme Share cancelled and extinguished
<b>“Companies Law”</b>	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

<b>“Company”</b>	Springland International Holdings Limited 華地國際控股有限公司, an exempted company incorporated in the Cayman Islands on 21 June 2006 with limited liability, the Shares are currently listed on the Main Board of the Stock Exchange (stock code: 1700)
<b>“Composite Scheme Document”</b>	the composite scheme document of the Company and the Offeror issued to, among others, the Independent Shareholders containing, inter alia, further details of the Proposal
<b>“Court Meeting”</b>	a meeting of the Independent Shareholders convened at the direction of the Grand Court at which the Scheme of Arrangement will be voted upon
<b>“DBSAC”</b>	DBS Asia Capital Limited, the financial adviser to the Offeror, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
<b>“Director”</b>	a director of the Company
<b>“Effective Date”</b>	the date on which the Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the Order of the Grand Court sanctioning the Scheme of Arrangement and confirming the reduction of issued share capital resulting from the cancellation and extinguishment of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law, which is expected to be Thursday, 27 February 2020 (Cayman Islands time)
<b>“Executive”</b>	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
<b>“Grand Court”</b>	the Grand Court of the Cayman Islands
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Board Committee”</b>	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme of Arrangement, comprising a non-executive Director, namely Mr. Fung Hiu Chuen, John and the following independent non-executive Directors, Dr Lin Zhijun, Dr Zhang Weijiong and Mr Cheung Yat Ming

<b>“Independent Financial Adviser”</b>	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to, among others, the Proposal and the Scheme of Arrangement, being a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
<b>“Independent Shareholders”</b>	the Shareholders other than the Offeror and the Offeror Concert Parties
<b>“Latest Practicable Date”</b>	10 January 2020, being the latest practicable date prior to the printing of the Composite Scheme Document for ascertaining certain information contained herein
<b>“Offeror”</b>	Octopus (China) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by the Parent
<b>“Offeror Concert Parties”</b>	parties acting in concert with or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, being Mr. Chen Jianqiang, the Parent, Celestial Spring Limited, Mr. Tao Qingrong and DBSAC as at the Latest Practicable Date
<b>“Parent”</b>	Octopus Holdings Foundation, a company organised and existing under the laws of the Cayman Islands
<b>“Proposal”</b>	the proposal for the privatisation of the Company by the Offeror by way of the Scheme of Arrangement
<b>“Register”</b>	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
<b>“Scheme Conditions”</b>	the conditions to the implementation of the Scheme of Arrangement as set out in the section headed “Scheme Conditions” in the explanatory statement of the Composite Scheme Document
<b>“Scheme Court Meeting Record Date”</b>	Thursday, 6 February 2020, or such other date as may be announced to, among others, the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to attend and vote at the Court Meeting

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|--------------------------------|---|
| <b>“Scheme of Arrangement”</b> | a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Law (subject to satisfaction (or waiver as applicable) of the Scheme Conditions) involving the cancellation and reduction of all the Scheme Shares and the restoration of the number of Shares to the amount immediately before the cancellation and reduction of the Scheme Shares |
| <b>“Scheme Record Date”</b>    | Thursday, 27 February 2020 or such other date as shall have been announced to the Independent Shareholders, being the record date for the purpose of determining the entitlement of the Independent Shareholders to the Cancellation Price upon the Share Scheme of Arrangement becoming effective  |
| <b>“Scheme Record Time”</b>    | 4:00 p.m. (Hong Kong time) on the Scheme Record Date  |
| <b>“Scheme Shareholder(s)”</b> | the holder(s) of Scheme Shares as at the Scheme Record Time on the Scheme Record Date   |
| <b>“Scheme Share(s)”</b>       | Share(s) other than those directly or indirectly held by the Offeror as at the Scheme Record Time on the Scheme Record Date   |
| <b>“SFO”</b>                   | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)   |
| <b>“Shareholder(s)”</b>        | holder(s) of the Share(s)   |
| <b>“Share(s)”</b>              | ordinary share(s) of HK\$0.01 par value each in the share capital of the Company  |
| <b>“Stock Exchange”</b>        | The Stock Exchange of Hong Kong Limited   |
| <b>“Takeovers Code”</b>        | the Code on Takeovers and Mergers of Hong Kong  |
- (B) The Company was incorporated as an exempted company on 21 June 2006 with limited liability in the Cayman Islands under the Companies Law.
- (C) The Company has an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each.
- (D) The Offeror, which is directly wholly owned by the Parent, has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing, among others, all of the Scheme Shares in consideration for the Cancellation Price

so that after the completion of the Scheme of Arrangement, the Offeror will own 100% of the Company. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.

- (F) As at the Latest Practicable Date, 1,465,836,000 Shares were legally and/or beneficially owned by the Offeror and the Offeror Concert Parties and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	%	Number of Shares	%
<b>Offeror</b>	1,442,500,000	73.22	1,970,000,000	100
<b>Offeror Concert Parties</b>	23,336,000	1.18	–	–
<b>Subtotal</b> (aggregate number of Shares not voting on the Scheme of Arrangement)	1,465,836,000	74.40	–	–
<b>Scheme Shareholders</b> who are independent (i.e., Independent Shareholders)	504,164,000	25.59	–	–
<b>Total Shares in issue</b>	1,970,000,000	100	1,970,000,000	100
<b>Total number of Scheme Shares</b> (which represent all issued Shares except for those held by the Offeror)	527,500,000	26.77	–	–

\* All percentages in the above table are approximations.

- (G) The Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement. Only the Independent Shareholders will attend and vote at the Court Meeting.
- (H) The Offeror and the Offeror Concert Parties have undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme of Arrangement.

## SCHEME OF ARRANGEMENT

## PART I

**Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror**

1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
  - (b) subject to and forthwith upon such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

## PART II

**Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the Register at the Scheme Record Time on the Scheme Record Date);

**for each Scheme Share cancelled and extinguished . . . . . HK\$2.30 in cash**

## PART III

**General**

3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
- (b) As soon as possible and in any event not later than seven (7) Business Days (as defined under the Takeovers Code) after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.

- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Computershare Hong Kong Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their registered addresses as appearing in the Register at the Scheme Record Time on the Scheme Record Date. In the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding.
  - (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
  - (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
  - (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
  - (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.
  - (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
  - (i) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.

5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force at the Scheme Record Time on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
6. The Scheme of Arrangement shall become effective as soon as a copy of the Order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law.
7. Unless the Scheme of Arrangement shall have become effective on or before 31 May, 2020 or such later date, if any, as the Offeror and the Company, subject to approval of DBSAC, may agree or, to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse and be of no effect.
8. The Company and the Offeror may, subject to the approval of the Grand Court and as DBSAC may approve, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement incurred by each of the Offeror and the Company will be borne by them respectively.

Date: 14 January 2020



**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

Cause No. FSD 241 of 2019

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2018 REVISION) (AS  
AMENDED)****AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102****AND IN THE MATTER OF SPRINGLAND INTERNATIONAL HOLDINGS LIMITED 華地國際控  
股有限公司**

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**NOTICE OF COURT MEETING**

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**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Springland International Holdings Limited 華地國際控股有限公司 (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme of Arrangement) and that the Court Meeting will be held at Tang Room, Level 3, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 6 February 2020 at 10:00 a.m. (Hong Kong time) at which place and time all Independent Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Independent Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Independent Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite scheme document dated 14 January 2020 despatched to, among others, the Independent Shareholders on 14 January 2020. Completion and return of the **pink** form of proxy will not prevent an Independent Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked by operation of law.

In the case of Independent Shareholders jointly holding ordinary shares of HK\$0.01 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members of the Company in respect of such joint holding of Shares, the first named Independent Shareholder being the senior.

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Tuesday, 4 February 2020, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them.

By the Order, the Court has appointed Mr. Cheung Yat Ming, a director of the Company, or failing him, Mr. Fung Hiu Chuen, John, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

On behalf of the Court  
**Springland International Holdings Limited**  
華地國際控股有限公司

**Fung Hiu Chuen, John**  
*Non-executive Director*

Hong Kong, 14 January 2020

*Registered Office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*  
Unit C, 8/F., Grandion Plaza,  
No. 932 Cheung Sha Wan Road,  
Kowloon, Hong Kong

*Notes:*

- (1) An Independent Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Independent Shareholder is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 14 January 2020 despatched to, among others, the Independent Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting should have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude an Independent Shareholder from attending the Court Meeting and voting in person if he so wishes. In the event that an Independent Shareholder attends and votes at the Court Meeting after having lodged his **pink** form of proxy, his **pink** form of proxy shall be deemed to have been revoked by operation of law.
- (4) In the case of joint Independent Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares.
- (5) Voting at the Court Meeting will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Monday, 3 February 2020 to Thursday, 6 February 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31 January 2020.

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of holders of ordinary shares of HK\$0.01 par value each (the “**Shares**”) in the share capital of Springland International Holdings Limited 華地國際控股有限公司 (the “**Company**”) will be held at Tang Room, Level 3, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 6 February 2020, at 11:00 a.m. (Hong Kong time) (or as soon as after the conclusion or the adjournment of the meeting of the Independent Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

**SPECIAL RESOLUTIONS**1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 14 January 2020 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

2. “**THAT:**

- (a) subject to the Scheme of Arrangement has become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is here approved; and
- (b) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

**ORDINARY RESOLUTION**3. **“THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 3(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

On behalf of the board of directors of  
**Springland International Holdings Limited**  
華地國際控股有限公司

**Fung Hiu Chuen, John**  
*Non-executive Director*

Hong Kong, 14 January 2020

*Registered office:*

Cricket Square, Hutchins Drive  
P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*

Unit C, 8/F., Grandion Plaza,  
No. 932 Cheung Sha Wan Road,  
Kowloon, Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the EGM in person to represent him.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite document containing the Scheme of Arrangement dated 14 January 2020 despatched to, among others, holders of Shares (the “Shareholders”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
- (5) Voting at the EGM will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The Register of Members of the Company in respect of the Shares will be closed from Monday, 3 February 2020 to Thursday, 6 February 2020 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31 January 2020.

*The following is the text of the valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 October 2019 of all the property interests held and to be held by the Group, which are all located in the People's Republic of China.*



Unit 1005, 10/F., Capital Centre,  
151 Gloucester Road,  
Wanchai,  
Hong Kong

14 January 2020

The Directors  
Springland International Holdings Limited  
26/F, Jinling Hotel  
No.1 Xianqian East Street  
Wuxi City, Jiangsu Province, the PRC

Dear Sirs,

**Re.: Valuation of various real properties in the People's Republic of China (the "Properties")**

In accordance with your instructions for us to value the property interests held and to be held by Springland International Holdings Limited (the "Company") and its subsidiary (together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 October 2019 ("Valuation Date") for the purpose of incorporation into the circular issued by the Company on the date hereof (the "Circular").

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing Property Nos. 1 to 5, 7 to 23 in Group I which are held by the Group for self-occupation in the PRC, we have adopted a combination of the market approach and the investment approach in assessing the owner-occupied portions and leased portions respectively. Hence, the sum of the two results represents the market value of the Property as a whole. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. The investment approach provides an indication of value by converting future cash flow to a single current value. Under the investment approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

In valuing the Property No. 6 in Group I which is held by the Group for self-occupation in the PRC, we have adopted a combination of the market approach and cost approach in assessing the land portion of the property interests and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the Property as a whole. In the valuation of the land portion, we have adopted the market approach. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued by cost approach. The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In valuing Property No 24 in Group II which is held by the Group for development purpose and Property No. 25 in Group III which is to be held by the Group for self-occupation purpose, we have adopted the market approach. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of extracts of title documents relating to the properties in the PRC. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Group’s PRC legal adviser, DeHeng Law Offices.



We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

The properties are inspected by our Mr. Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MCIREA MHIREA RICS Registered Valuer), Mr. Cris Chan (B.Sc.), Mr. Ivan Mak (B.Sc.) and Mr. Tony Wong (M.Sc.) between 4 November 2019 and 14 November 2019. We have inspected the exterior, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services. The condition of the Properties are reasonable.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation certificates.

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

In valuing the property interests, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include: (i) PRC value-added tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%-60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at the Valuation Date was HK\$1: RMB0.9. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (\*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,  
For and on behalf of  
**GRANT SHERMAN APPRAISAL LIMITED**  
**Lawrence Chan Ka Wah**  
***MRICS MHKIS RPS(GP) MCIREA MHIREA***  
***RICS Registered Valuer***  
***Director***  
***Real Estate Group***

*Note:*

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 16 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

## SUMMARY OF VALUATION

## Group I – Property interests held by the Group for self-occupation in the PRC

		Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
1.	No. 228 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB425,100,000  (equivalent to approximately HK\$472,300,000)	100%	RMB425,100,000  (equivalent to approximately HK\$472,300,000)
2.	No. 227 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB172,800,000  (equivalent to approximately HK\$192,000,000)	100%	RMB172,800,000  (equivalent to approximately HK\$192,000,000)
3.	No. 288 Jiefang Road East, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB1,011,900,000  (equivalent to approximately HK\$1,124,300,000)	100%	RMB1,011,900,000  (equivalent to approximately HK\$1,124,300,000)
4.	No. 237 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB103,800,000  (equivalent to approximately HK\$115,300,000)	100%	RMB103,800,000  (equivalent to approximately HK\$115,300,000)

		<b>Market Value in existing state as at 31 October 2019</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 October 2019</b>
5.	No. 588 Yangquan Road Central, Yicheng Community, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB184,300,000  (equivalent to approximately HK\$204,800,000)	100%	RMB184,300,000  (equivalent to approximately HK\$204,800,000)
6.	No. 203 Qingyuan Avenue, Qiting Community, Yixing City, Wuxi City, Jiangsu Province, the PRC	RMB81,400,000  (equivalent to approximately HK\$90,400,000)	100%	RMB81,400,000  (equivalent to approximately HK\$90,400,000)
7.	A shopping mall located on the western side of Renmin Square, Danyang City, Zhenjiang City, Jiangsu Province, the PRC	RMB547,800,000  (equivalent to approximately HK\$608,700,000)	100%	RMB547,800,000  (equivalent to approximately HK\$608,700,000)
8.	No. 2 Yanshan Road, Liyang City, Changzhou City, Jiangsu Province, the PRC	RMB259,900,000  (equivalent to approximately HK\$288,800,000)	100%	RMB259,900,000  (equivalent to approximately HK\$288,800,000)
9.	No. 18 Renmin Road Central, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	RMB625,000,000  (equivalent to approximately HK\$694,400,000)	100%	RMB625,000,000  (equivalent to approximately HK\$694,400,000)

		<b>Market Value in existing state as at 31 October 2019</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 October 2019</b>
10.	No. 5 Huangtang Jindou Street, Xuxiake Town, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	RMB23,900,000  (equivalent to approximately HK\$26,600,000)	100%	RMB23,900,000  (equivalent to approximately HK\$26,600,000)
11.	Nos. 161 and 162 Xinsheng Road, Huashi Town, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	RMB85,600,000  (equivalent to approximately HK\$95,100,000)	100%	RMB85,600,000  (equivalent to approximately HK\$95,100,000)
12.	No. 168 Zhongshan Road, Liangxi District, Wuxi City, Jiangsu Province, the PRC	RMB1,385,300,000  (equivalent to approximately HK\$1,539,200,000)	100%	RMB1,385,300,000  (equivalent to approximately HK\$1,539,200,000)
13.	No. 1 Wenhe Road North, Guangling District, Yangzhou City, Jiangsu Province, the PRC	RMB244,200,000  (equivalent to approximately HK\$271,300,000)	55%	RMB134,310,000  (equivalent to approximately HK\$149,200,000)
14.	No. 288 Zhongshan Road East, Jingkou District, Zhenjiang City, Jiangsu Province, the PRC	RMB1,224,200,000  (equivalent to approximately HK\$1,360,200,000)	100%	RMB1,224,200,000  (equivalent to approximately HK\$1,360,200,000)

		<b>Market Value in existing state as at 31 October 2019</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 October 2019</b>
15.	No. 214 Zhongshan Road East, Jingkou District, Zhenjiang City, Jiangsu Province, the PRC	RMB525,600,000  (equivalent to approximately HK\$584,000,000)	100%	RMB525,600,000  (equivalent to approximately HK\$584,000,000)
16.	No. 121 Heng Street, Jincheng Town, Jintan District, Changzhou City, Jiangsu Province, the PRC	RMB252,900,000  (equivalent to approximately HK\$281,000,000)	100%	RMB252,900,000  (equivalent to approximately HK\$281,000,000)
17.	No. 2 Jiefang Road West, Zhicheng Community, Changxing County, Huzhou City, Zhejiang Province, the PRC	RMB322,100,000  (equivalent to approximately HK\$357,900,000)	100%	RMB322,100,000  (equivalent to approximately HK\$357,900,000)
18.	No. 1360 Zhongshan Road East, Nanhu District, Jiaxing City, Zhejiang Province, the PRC	RMB1,166,300,000  (equivalent to approximately HK\$1,295,900,000)	100%	RMB1,166,300,000  (equivalent to approximately HK\$1,295,900,000)
19.	The commercial complex of Huadi Yaohan, Jixian Road South, Daguan District, Anqing City, Anhui Province, the PRC	RMB415,800,000  (equivalent to approximately HK\$462,000,000)	100%	RMB415,800,000  (equivalent to approximately HK\$462,000,000)

		<b>Market Value in existing state as at 31 October 2019</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 October 2019</b>
20.	Units F201, F203, Basement Level 1 and Levels 1 to 8 of Wuhu Yaohan Living Plaza, Jinghu District, Wuhu City, Anhui Province, the PRC	RMB1,009,500,000  (equivalent to approximately HK\$1,121,700,000)	100%	RMB1,009,500,000  (equivalent to approximately HK\$1,121,700,000)
21.	No. 2-1 Dahua Ma'anshan International Plaza, Huashan District, Ma'anshan City, Anhui Province, the PRC	RMB355,700,000  (equivalent to approximately HK\$395,200,000)	100%	RMB355,700,000  (equivalent to approximately HK\$395,200,000)
22.	No. 1-01, Tower C, Block 1, Xuancheng International Plaza, Diezhang Road, Xuanzhou District, Xuancheng City, Anhui Province, the PRC	RMB523,100,000  (equivalent to approximately HK\$581,200,000)	100%	RMB523,100,000  (equivalent to approximately HK\$581,200,000)
23.	No. 47 Renmin Road Central, Chongchuan District, Nantong City, Jiangsu Province, the PRC	No commercial value	98.93%	No commercial value
	<b>Sub-Total</b>	<b>RMB10,946,200,000</b>  (equivalent to approximately <b>HK\$12,162,300,000</b> )		<b>RMB10,836,310,000</b>  (equivalent to approximately <b>HK\$12,040,200,000</b> )

**Group II – Property interests held by the Group for development purpose in the PRC**

<b>Property</b>	<b>Market Value in existing state as at 31 October 2019</b>	<b>Interest attributable to the Group</b>	<b>Market Value in existing state attributable to the Group as at 31 October 2019</b>
24. The construction site on the southern side of Xihu Road and western side of Baizhuang Road, Dongting Community, Xishan District, Wuxi City, Jiangsu Province, the PRC	RMB918,200,000  (equivalent to approximately HK\$1,020,200,000)	100%	RMB918,200,000  (equivalent to approximately HK\$1,020,200,000)



## Group III – Property interests to be held by the Group for self-occupation purpose in the PRC

Property	Market Value in existing state as at 31 October 2019	Interest to be attributable to the Group	Market Value in existing state to be attributable to the Group as at 31 October 2019
25. A shopping mall on Basement Level 1, Levels 1 to 5 and Mezzanine Floor and 800 car parking spaces on Basement Levels 1 and 2 of the Block 1 of Jiangyin Central Plaza, located at the eastern side of Zhengcun Road, southern side of Huancheng Road South, western side of Hongqiao Road South and northern side of Zhongwei Road, Chengjiang Community, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	No commercial value	100%	No commercial value
<b>Grant-total</b>	<b>RMB11,864,400,000</b>		<b>RMB11,754,510,000</b>
	(equivalent to approximately <b>HK\$13,182,500,000</b> )		(equivalent to approximately <b>HK\$13,060,400,000</b> )

## VALUATION REPORT

## Group I – Property interests held by the Group for self-occupation use in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
1	No. 228 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises a 17-storey commercial building (exclusive of a single-storey basement carpark) with shopping mall on Levels 1 to 5 and offices on Levels 6 to 17, which was completed in 1990s.</p> <p>The total site area and gross floor area of the Property is approximately 9,226.7 and 42,751.33 sq.m. (exclusive of a single-storey basement with a gross floor area of approximately 2,420.66 sq.m.) respectively</p> <p>The land use rights of the Property were granted for a term expiring on 10 February 2044 for commercial use.</p>	The property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB425,100,000  (equivalent to approximately HK\$472,300,000)	100%	RMB425,100,000  (equivalent to approximately HK\$472,300,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2004) Zi No. 041062017) dated 15 April 2004, the land use rights of the land parcel of the Property with a site area of approximately 9,226.7 sq.m. were granted to Yixing Housa Plaza Co., Ltd. (Yixing Housa) for a term expiring on 10 February 2044 for commercial use.
- Pursuant to two Building Ownership Certificate (Document Nos. Yi Fang Quan Zheng Yi Cheng Zi Nos. A0030705 and A0030706) dated 4 March 2004, the ownership of the building of the Property with a total gross floor area of approximately 45,171.99 sq.m. (inclusive of basement) is vested in Yixing Housa for commercial use.
- Portions with the Property with a total gross floor area of approximately 4,915 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 December 2026 at a total monthly rental of approximately RMB371,418. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Yixing Housa is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m. and the average unit rate of office units in the locality as at the Valuation Date is ranging from RMB8,000 to 15,000 per sq.m.

6. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
2	No. 227 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises a 9-storey shopping mall (exclusive of a single-storey basement) completed in 1990s.</p> <p>The site area and gross floor area of the Property is approximately 4,426.8 and 25,987.88 sq.m. (exclusive of basement with a gross floor area of approximately of 4,248.98 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 14 July 2043 for commercial use.</p>	<p>The property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB172,800,000</p> <p>(equivalent to approximately HK\$192,000,000)</p>	100%	<p>RMB172,800,000</p> <p>(equivalent to approximately HK\$192,000,000)</p>

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2003) Zi No. 041091093) dated 1 August 2003, the land use rights of the land parcel of the Property with a site area of approximately 4,426.8 sq.m. were granted to Yixing Springland Department Store Co., Ltd (Yixing Springland) for a term expiring on 14 July 2043 for commercial use.
- Pursuant to a Building Ownership Certificate (Document No. Yi Fang Quan Zheng Yi Cheng Zi No. A0027235) dated 26 September 2003, the ownership of Levels 1 to 9 of the building of the Property with a total gross floor area of approximately 25,486.35 sq.m. is vested in Yixing Springland for commercial use.
- According to the information provided by the Group, the Property comprises an extension on Level 2 to Level 8 with a total gross floor area of approximately 4,750.51 sq.m. without Building Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Building Ownership Certificates, hence the basement is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the basement as at the Valuation Date is RMB17,300,000 (equivalent to approximately HK\$19,200,000) by assuming the basement have obtained the relevant title documents and is freely transferrable in the market.

- Portions with the Property with a total gross floor area of approximately 522 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 December 2020 at a total monthly rental of approximately RMB79,398. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Yixing Springland is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 15,000 per sq.m.

7. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) portion of Property stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
3	No. 288 Jiefang Road East, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises a 7-storey shopping mall completed in 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 42,598.7 and 220,846.78 sq.m. respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 20 February 2052 for commercial use.</p>	<p>The property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB1,011,900,000</p> <p>(equivalent to approximately HK\$1,124,300,000)</p>	100%	<p>RMB1,011,900,000</p> <p>(equivalent to approximately HK\$1,124,300,000)</p>

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2012) Zi No. 41601804) dated 23 April 2012, the land use rights of the land parcel of the Property with a site area of approximately 42,598.7 sq.m. were granted to Yixing Springland Department Store Co., Ltd (Yixing Springland) for a term expiring on 20 February 2052 for commercial use.
- Pursuant to a Building Ownership Certificate (Document No. Yi Fang Quan Zheng Yi Cheng Zi No. 1000159770) dated 24 June 2016, the ownership of Levels 1 to 7 and portion of Basement Level 1 of the building of the Property with a total gross floor area of approximately 128,087.04 sq.m. (inclusive of basement) is vested in Yixing Springland for commercial use.
- According to the information provided by the Group, the Property comprises portion of Basement Level 1 and 1,334 car parking space on Basement Levels 2 and 3 with a gross floor area of approximately 92,759.74 sq.m. without Building Ownership Certificates. We have ascribed no commercial value to these portions of the Property due to the absence of Building Ownership Certificates, hence these portions of the Property are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these portions of the Property as at the Valuation Date is RMB134,900,000 (equivalent to approximately HK\$149,900,000) by assuming these portions of the building have obtained the relevant title documents and is freely transferrable in the market.
- Portions of the Property with a total gross floor area of approximately 41,034 sq.m. are subject to various tenancy agreements with the latest expiry date on 15 September 2029 at a total monthly rental of approximately RMB3,649,952. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Yixing Springland is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 15,000 per sq.m.

7. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
4	No. 237 Renmin Road Central, Yicheng Town, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises a 5-storey shopping mall completed in 2000s.</p> <p>The total site area and gross floor area of the Property is approximately 2,426.6 and 12,233.12 sq.m. respectively</p> <p>The land use rights of the Property were granted for a term expiring on 12 June 2047 for commercial use.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB103,800,000</p> <p>(equivalent to approximately HK\$115,300,000)</p>	100%	<p>RMB103,800,000</p> <p>(equivalent to approximately HK\$115,300,000)</p>

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2007) Zi No. 103700) dated 18 June 2007, the land use rights of the land parcel of the Property with a site area of approximately 2,426.6 sq.m. were granted to Jiangsu Datonghua Shopping Centre Co., Ltd. (Jiangsu Datonghua) for a term expiring on 12 June 2047 for commercial use.
2. Pursuant to a Building Ownership Certificate (Document No. Yi Fang Quan Zheng Yi Cheng Zi No. A0067216) dated 22 October 2007, the ownership of the building of the Property with a total gross floor area of approximately 12,233.12 sq.m. is vested in Jiangsu Datonghua for commercial use.
3. Portions of the Property with a total gross floor area of approximately 1,395.8 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2022 at a total monthly rental of approximately RMB433,655. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
4. According to information provided by the Company, Jiangsu Datonghua is an indirectly wholly-owned subsidiary of the Company.
5. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
6. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.



## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
5	No. 588 Yangquan Road Central, Yicheng Community, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises a 3-storey shopping mall (exclusive of a single-beasement basement) completed in 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 20,105.5 sq.m. and 22,376.31 sq.m. (exclusive of basement car park with a gross floor area of approximately 9,481.43 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 11 August 2045 for commercial use.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB184,300,000</p> <p>(equivalent to approximately HK\$204,800,000)</p>	100%	<p>RMB184,300,000</p> <p>(equivalent to approximately HK\$204,800,000)</p>

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2013) Zi No. 41607477) dated 24 December 2013, the land use rights of the land parcel of the Property with a site area of approximately 20,105.5 sq.m. were granted to Yixing Rongtong Trade & Commerce Co., Ltd. (Yixing Rongtong) for a term expiring on 11 August 2045 for commercial use.
- Pursuant to a Building Ownership Certificate (Document No. Yi Fang Quan Zheng Yi Cheng Zi No. 1000144622) dated 11 January 2016, the ownership of Levels 1 to 3 of the building of the Property with a total gross floor area of approximately 22,376.31 sq.m. is vested in Yixing Rongtong for commercial use.
- According to the information provided by the Group, the Property comprises a single-storey basement with a gross floor area of approximately 9,481.43 sq.m. accommodating 180 underground car parking spaces without Building Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Building Ownership Certificates, hence the basement is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the basement as at the Valuation Date is RMB65,200,000 (equivalent to approximately HK\$72,400,000) by assuming the basement car parking spaces have obtained the relevant title documents and is freely transferrable in the market.
- Portions of the Property with a total gross floor area of approximately 8,806 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 December 2035 at a total monthly rental of approximately RMB578,870. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Yixing Rongtong is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 15,000 per sq.m.

7. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
6	No. 203 Qingyuan Avenue, Qiting Community, Yixing City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises two parcels of adjoining industrial land together with nine single to 5-storey industrial and ancillary buildings completed in 2000s erected thereon.</p> <p>The total site area and gross floor area of the Property is approximately 98,574.2 and 57,892.64 sq.m. respectively</p> <p>The land use rights of the Property were granted for a various terms with a latest term expiring on 26 May 2064 for storage and industrial uses.</p>	The Property was occupied by the Group for logistics and ancillary uses as at the Valuation Date.	RMB81,400,000  (equivalent to approximately HK\$90,400,000)	100%	RMB81,400,000  (equivalent to approximately HK\$90,400,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Yi Guo Yong (2010) Zi No. 24600144) dated 22 July 2010, the land use rights of one of the land parcel of the Property with a site area of approximately 39,892.5 sq.m. were granted to Wuxi Huiquan Logistics Co., Ltd. (Wuxi Huiquan) for a term expiring on 19 February 2057 for storage use.
- Pursuant to two Building Ownership Certificates (Document Nos. Yi Fang Quan Zheng Qi Ting Zi Nos. 1000088629 and 1000088632) dated 10 April 2013, the ownership of three of the buildings of the Property with a total gross floor area of approximately 24,681.96 sq.m. is vested in Wuxi Huiquan.
- Pursuant to a Real Estate Ownership Certificate (Su (2019) Yi Xing Bu Dong Chan Quan No. 0024749), the land use rights of one of the land parcels of the Property with a site area of approximately 58,681.7 sq.m. were granted to Wuxi Huiquan for a term expiring on 26 May 2064 for industrial use.

Moreover, as stipulated in these Real Estate Ownership Certificates, the ownership of five of the buildings of the Property with a total gross floor area of approximately 33,054.56 sq.m. are vested in Wuxi Huiquan.

- According to the information provided by the Group, the Property comprises a fire service control room and a sewage treatment room with a gross floor area of approximately 156.12 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to these buildings due to the absence of Real Estate Ownership Certificates, hence the basement is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these buildings as at the Valuation Date is RMB100,000 (equivalent to approximately HK\$110,000) by assuming these buildings have obtained the relevant title documents and is freely transferrable in the market.

- Portion of the Property with a total gross floor area of approximately 34,147.17 sq.m. is subject to a tenancy agreement expiring on 31 May 2021 at a monthly rental of RMB125,000, exclusive of management fee and other outgoings. According to information provided by the Company, the tenant of this tenancy agreement is a connected party of the Company.

6. Portion of the Property with a total gross floor area of approximately 4,044 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 July 2028 at a total monthly rental of approximately RMB80,340. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
7. According to information provided by the Company, Wuxi Huiquan is an indirectly wholly-owned subsidiary of the Company.
8. The average unit rate of industrial land parcel in the locality of the Property as at the Valuation Date is ranging from RMB250 to 350 per sq.m.
9. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly low to medium-rise industrial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
10. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcels of the Property are entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the buildings of the Property stated in Notes 2 and 3 are entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the buildings stated in Notes 4 are not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) the tenancy agreement in Note 5 is legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
7	A shopping mall located on the western side of Renmin Square, Danyang City, Zhenjiang City, Jiangsu Province, the PRC	<p>The Property comprises two adjoining 6 to 7-storey shopping malls (exclusive of a single-storey basement) completed in 2000s to 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 19,567.55 and 76,936.58 sq.m. (exclusive of basement with a gross floor area of approximately of 14,172.61 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for various terms with the latest expiry date on 31 May 2055 for commercial use.</p>	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB547,800,000  (equivalent to approximately HK\$608,700,000)	100%	RMB547,800,000  (equivalent to approximately HK\$608,700,000)

*Notes:*

- Pursuant to two State-owned Land Use Rights Certificate (Document No. Dan Guo Yong (2004) No. 1284 and Dan Guo Yong (2015) No. 4929) dated 7 April 2004 and 5 August 2015 respectively, the land use rights of the land parcels of the Property with a total site area of approximately 19,567.55 sq.m. were granted to Danyang Springland Department Store Ltd.\*丹陽華地百貨有限公司(now known as Danyang Yaohan Commerce & Trade Co., Ltd. (Danyang Yaohan)) for various terms with the latest expiry date on 31 May 2055 for commercial use.
- Pursuant to a Building Ownership Certificate (Document No. Dan Fang Quan Zheng Yun Yang Zi No. 01015171) dated 3 December 2004, the ownership of portions of the buildings of the Property with a total gross floor area of approximately 43,728.19 sq.m. is vested in Danyang Springland Department Store Ltd.
- According to the information provided by the Group, the Property comprises a warehouse on Level 6 and a 6-storey extension with a gross floor area of approximately 40,478.39 sq.m. (exclusive of basement with a gross floor area of approximately 6,902.61 sq.m.) without Building Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Building Ownership Certificates, hence these portions of the Property are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these portions of the Property as at the Valuation Date is RMB518,700,000 (equivalent to approximately HK\$576,300,000) by assuming these portions of the Property have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 19,084.8 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2022 at a total monthly rental of approximately RMB1,038,516. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Danyang Yaohan is an indirectly wholly-owned subsidiary of the Company.

6. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB15,000 to 25,000 per sq.m.
7. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) Danyang Springland Department Store Ltd. is renamed Danyang Yaohan, but the company's name in the State Owned Land Use Right Certificates and Building Ownership Certificate are not updated as at the Valuation Date. However, such inconsistency will not affect the ownership of the Property;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
8	No. 2 Yanshan Road, Liyang City, Changzhou City, Jiangsu Province, the PRC	<p>The Property comprises a 8-storey shopping mall (exclusive of a single-storey basement car park) completed in 1990s.</p> <p>The total site area and gross floor area of the Property is approximately 4,470.1 and 23,729.1 sq.m. (exclusive of basement with a gross floor area of approximately of 3,358.62 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 13 March 2037 for commercial use.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB259,900,000</p> <p>(equivalent to approximately HK\$288,800,000)</p>	100%	<p>RMB259,900,000</p> <p>(equivalent to approximately HK\$288,800,000)</p>

*Notes:*

- Pursuant to five State-owned Land Use Rights Certificate (Document No. Li Guo Yong (2001) No. 01791, Li Guo Yong (2004) No. 05171, Li Guo Yong (2007) No. 08687, Li Guo Yong (2007) No. 09148, Li Guo Yong (2009) No. 07346), the land use rights of the land parcel of the Property with a total site area of approximately 4,470.1 sq.m. were granted to Liyang Springland Department Store Co., Ltd. (now known as Liyang Yaohan Commerce & Trade Center Co., Ltd. (Liyang Yaohan) for a term expiring on 13 March 2037 for commercial use.
- Pursuant to eleven Building Ownership Certificates (Document Nos. Li Fang Quan Zheng Li Jiao Zi Nos. 40210, 55874, 57923, 57924, 57925, 57926, 57927, 57928, 57922 to 57929 and 79270), the ownership of various portions of the building of the Property with a total gross floor area of approximately 17,403.84 sq.m. (exclusive of basement with a total gross floor area of 2,802.5 sq.m.) is vested in Liyang Springland Department Store Co., Ltd.
- Pursuant to three Building Ownership Certificates (Document Nos. Li Fang Quan Zheng Li Jiao Zi No.29753, 29754 and 32163), the ownership of various portions of the buildings of the Property with a total gross floor area of approximately 3,989.26 sq.m. (exclusive of basement with a total gross floor area of 556.12 sq.m.) is vested in Liyang No.1 Department Store Co., Ltd.
- According to the information provided by the Group, the Property comprises an extension on Level 3 and a warehouse on Level 7 with a gross floor area of approximately 2,336 sq.m. without Building Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Building Ownership Certificates, hence these portions of the Property are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these portions of the Property as at the Valuation Date is RMB99,800,000 (equivalent to approximately HK\$110,900,000) by assuming these portions of the Property have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 817 sq.m. are subject to various tenancy agreements with the latest expiry date on 6 February 2023 at a total monthly rental of approximately RMB27,728. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.

6. According to information provided by the Company, Yixing Rongtong is an indirectly wholly-owned subsidiary of the Company.
7. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 15,000 per sq.m.
8. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
9. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) Liyang No.1 Department Store Co., Ltd. is renamed Liyang Yaohan, but the company's name in the State Owned Land Use Right Certificates and Building Ownership Certificates are not updated as at the Valuation Date. However, such inconsistency will not affect the ownership of the Property;
  - (e) all tenancy agreements in Note 4 are legally binding; and
  - (f) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.



## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
9	No. 18 Renmin Road Central, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	<p>The Property comprises three adjoining 2 to 7-storey shopping mall (exclusive of a 2-storey basement) completed in late 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 11,555.2 and 54,717.05 sq.m. respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 30 March 2043 for wholesale and retail uses.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB625,000,000</p> <p>(equivalent to approximately HK\$694,400,000)</p>	100%	<p>RMB625,000,000</p> <p>(equivalent to approximately HK\$694,400,000)</p>

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Su (2017) Jiang Yin Shi Bu Dong Chan Quan No. 0029641) dated 4 August 2017, the land use rights of the land parcel of the Property with a site area of approximately 11,555.2 sq.m. were granted to Jiangyin Yaohan Commerce & Trade Center Co., Ltd. (Jiangyin Yaohan) for a term expiring on 30 March 2043 for wholesale and retail uses.

Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of Levels 1 to 6 and Basement Levels 1 and 2 of the building of the Property with a total gross floor area of approximately 53,700.05 sq.m. are vested in Jiangyin Yaohan for non-domestic use.

- According to the information provided by the Group, the Property comprises an ancillary office on Level 7 with a gross floor area of approximately 1,017 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Real Estate Ownership Certificates, hence Level 7 of the Property is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of Level 7 of the Property as at the Valuation Date is RMB4,200,000 (equivalent to approximately HK\$4,700,000) by assuming Level 7 of the Property have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 1,734.2 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2029 at a total monthly rental of approximately RMB437,088. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Jiangyin Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
10	No. 5 Huangtang Jindou Street, Xuxi Town, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	The Property comprises portion of the commercial unit on Levels 1 and 2, warehouses on Level 3 and Basement of a 3-storey shopping mall (exclusive of a single-storey basement) completed in 2010s.  The total gross floor area of the Property is approximately 6,141 sq.m.  The land use rights of the Property were granted for a term expiring on 25 January 2048 for commercial use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB23,900,000  (equivalent to approximately HK\$26,600,000)	100%	RMB23,900,000  (equivalent to approximately HK\$26,600,000)

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Su (2019) Jiang Yin Shi Bu Dong Chan Quan No. 0005327) dated 28 February 2019, the land use rights of the land parcel of the Property were granted to Jiangyin Yaohan Commerce & Trade Center Co., Ltd. (Jiangyin Yaohan) for a term expiring on 30 March 2043 for commercial use.  
  
Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of the commercial units on Levels 1 and 2 of the building of the Property with a total gross floor area of approximately 4,734.81 sq.m. are vested in Jiangyin Yaohan for non-domestic use.
- According to the information provided by the Group, the Property comprises two warehouses on Level 3 and Basement with a gross floor area of approximately 1,406.19 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Real Estate Ownership Certificates, hence these portions of the Property are not entitled to be transferred, leased and mortgaged in the market.  
  
However, for indicative purpose, the market value of these portions of the Property as at the Valuation Date is RMB2,700,000 (equivalent to approximately HK\$3,000,000) by assuming these portions of the Property have obtained the relevant title documents and is freely transferrable in the market.
- Portions of the Property with a total gross floor area of approximately 636 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2020 at a total monthly rental of approximately RMB37,592. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Jiangyin Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 10,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 1 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 2 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 3 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
11	Nos. 161 and 162 Xinsheng Road, Huashi Town, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	The Property comprises a 2-storey shopping mall on Levels 1 and 2 of a 14-storey composite building completed in 2010s.  The gross floor area of the Property is approximately 10,802.91 sq.m.  The land use rights of the Property were granted for a term expiring on 19 October 2049 for commercial use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB85,600,000  (equivalent to approximately HK\$95,100,000)	100%	RMB85,600,000  (equivalent to approximately HK\$95,100,000)

*Notes:*

1. Pursuant to a Real Estate Ownership Certificate (Document No. Su (2018) Jiang Yin Shi Bu Dong Chan Quan No. 0032087) dated 18 September 2018, the land use rights of the land parcel of the Property were granted to Jiangyin Yaohan Commerce & Trade Center Co., Ltd. (Jiangyin Yaohan) for a term expiring on 19 October 2049 for commercial use.  
  
Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of the commercial units on Levels 1 and 2 of the building of the Property with a total gross floor area of approximately 10,802.91 sq.m. are vested in Jiangyin Yaohan for non-domestic use.
2. Portions of the Property with a total gross floor area of approximately 1,790 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 January 2021 at a total monthly rental of approximately RMB159,043. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
3. According to information provided by the Company, Jiangyin Yaohan is an indirectly wholly-owned subsidiary of the Company.
4. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 10,000 per sq.m.
5. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.
6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 2 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
12	No. 168 Zhongshan Road, Liangxi District, Wuxi City, Jiangsu Province, the PRC	The Property comprises a 10-storey shopping mall (exclusive of a 2 storey basement) completed in 2000s.  The total site area and gross floor area of the Property is approximately 16,798.6 and 81,509.08 sq.m. (exclusive of basement with a total gross floor area of approximately 24,145.78 sq.m.) respectively  The land use rights of the Property were granted for a term expiring on 18 October 2043 for commercial use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB1,385,300,000  (equivalent to approximately HK\$1,539,200,000)	100%	RMB1,385,300,000  (equivalent to approximately HK\$1,539,200,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Xi Chong Guo Yong (1994) Zi No. 00100) dated 2 July 1994, the land use rights of the land parcel of the Property with a site area of approximately 16,798.6 sq.m. were granted to Wuxi Yaohan Commerce & Trade Center Co., Ltd (Wuxi Yaohan) for a term expiring on 18 October 2043 for commercial use.
- Pursuant to two Building Ownership Certificates (Document Nos. Xi Fang Quan Zheng Chong An Zi Nos. WX1000151149 and WX1000151149) dated 14 May 2009, the ownership of the building of the Property with a total gross floor area of approximately 105,654.86 sq.m. (inclusive of basement) is vested in Wuxi Yaohan for commercial use.
- Portions of the Property with a total gross floor area of approximately 10,883.47 sq.m. are subject to various tenancy agreements with the latest expiry date on 22 November 2030 at a total monthly rental of approximately RMB958,614. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Wuxi Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB20,000 to 30,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hours driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
13	No. 1 Wenhe Road North, Guangling District, Yangzhou City, Jiangsu Province, the PRC	The Property comprises two adjoining 8-storey shopping mall (exclusive of a single-storey basement and mezzanine floor) completed in 1990s.  The total site area and gross floor area of the Property is approximately 3,153 and 21,644.15 sq.m. (exclusive of basement of 3,153 sq.m.) respectively.  The land use rights of the Property were granted for various terms with the latest expiry date on 14 March 2041 for commercial use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB244,200,000  (equivalent to approximately HK\$271,300,000)	55%	RMB134,300,000  (equivalent to approximately HK\$149,200,000)

*Notes:*

- Pursuant to two Real Estate Ownership Certificates (Document Nos. Su (2019) Yang Zhou Shi Bu Dong Chan Quan Nos. 0124168 and 0124154) dated 16 September 2019, the land use rights of the land parcel of the Property with a total site area of approximately 3,821.8 sq.m. were granted to Yangzhou Fengxiang Commerce Co., Ltd. (Yangzhou Fengxiang) for various terms with the latest expiry date on 14 March 2041 for commercial use.  
  
Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of the building of the Property with a total gross floor area of approximately 24,797.15 sq.m. (inclusive of basement) are vested in Yangzhou Fengxiang for commercial use.
- Portions of the Property with a total gross floor area of approximately 4,363.35 sq.m. are subject to various tenancy agreements with the latest expiry date on 14 June 2029 at a total monthly rental of approximately RMB589,754. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Jiangyin Yaohan is an indirectly 55% owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB15,000 to 25,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hours driving distance from the Property. Taxis and buses are accessible to the Property.



6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 2 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
14	No. 288 Zhongshan Road East, Jingkou District, Zhenjiang City, Jiangsu Province, the PRC	The Property comprises a 17-storey commercial building (exclusive of mezzanine floor and a 2-storey basement) with shopping mall on Levels 1 to 7 and Basement Level 1, and office on Levels 8 to 17, which was completed in 2010s.  The total site area and gross floor area of the Property is approximately 19,496.03 and 110,133.24 sq.m. (exclusive of basement with a gross floor area of approximately of 26,854.68 sq.m.) respectively.  The land use rights of the Property were granted for various terms with a latest expiry date on 30 September 2050 for wholesale and retail use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB1,224,200,000  (equivalent to approximately HK\$1,360,200,000)	100%	RMB1,224,200,000  (equivalent to approximately HK\$1,360,200,000)

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Su (2018) Zhen Jiang Shi Bu Dong Chan Quan No. 0098400) dated 28 November 2018, the land use rights of the land parcel of the Property with a site area of approximately 18,696.03 sq.m. were granted to Zhenjiang Yaohan Commerce & Trade Center Co., Ltd. (Zhenjiang Yaohan) for a term expiring on 17 August 2047 for wholesale and commercial uses.

Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of Levels 1 to 17 and Basement Levels 1 and 2 of the building of the Property with a total gross floor area of approximately 106,725.7 sq.m. are vested in Zhenjiang Yaohan for wholesale and commercial uses.

- According to the information provided by the Group, the Property comprises a 5-storey extension (exclusive of mezzanine floor and a single-storey basement) with a total gross floor area of approximately 17,051.36 sq.m. (exclusive of basement and mezzanine floor with a gross floor area of approximately 13,210.86 sq.m.) without Real Estate Ownership Certificates. We have ascribed no commercial value to the extension due to the absence of Real Estate Ownership Certificates, hence the extension is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the extension as at the Valuation Date is RMB275,400,000 (equivalent to approximately HK\$306,000,000) by assuming these portions of the extension have obtained the relevant title documents and is freely transferrable in the market.

3. Portions of the Property with a total gross floor area of approximately 24,777.92 sq.m. are subject to various tenancy agreements with the latest expiry date on 27 March 2029 at a total monthly rental of approximately RMB2,208,920. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
4. According to information provided by the Company, Zhengjiang Yaohan is an indirectly wholly-owned subsidiary of the Company.
5. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
6. The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hours driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
15	No. 214 Zhongshan Road East, Jingkou District, Zhenjiang City, Jiangsu Province, the PRC	The Property comprises a 8-storey shopping mall (exclusive of a single-storey basement) completed in 1996.  The total site area and gross floor area of the Property is approximately 5,992.9 and 35,065.98 sq.m. (exclusive of basement with a gross floor area of approximately of 9,772.7 sq.m.) respectively.  The land use rights of the Property were granted for a term expiring on 23 December 2043 for commercial use.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB525,600,000  (equivalent to approximately HK\$584,000,000)	100%	RMB525,600,000  (equivalent to approximately HK\$584,000,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Zhen Guo Yong (2003) Zi No. 1141960) dated 11 September 2003, the land use rights of the land parcel of the Property with a site area of approximately 5,992.9 sq.m. were granted to Zhenjiang Baisheng Commercial Co., Ltd. (Zhenjiang Baisheng) for a term expiring on 23 December 2043 for commercial use.
- Pursuant to eight Building Ownership Certificates (Document Nos. Sheng Ye Zi Nos. 0655 to 0662 and Zhen Fang Quan Zheng Jing Zi No. 13753703) dated 12 May 1997, the ownership of the building of the Property with a total gross floor area of approximately 44,838.68 sq.m. (inclusive of basement) is vested in Zhenjiang Baisheng for commercial use.
- Portions of the Property with a total gross floor area of approximately 5,524 sq.m. are subject to various tenancy agreements with the latest expiry date in December 2032 at a total monthly rental of approximately RMB151,934. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Zhenjiang Baisheng is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB20,000 to 30,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hours driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
16	No. 121 Heng Street, Jincheng Town, Jintan District, Changzhou City, Jiangsu Province, the PRC	<p>The Property comprises a 6-storey shopping mall (exclusive of a single-storey basement) completed in 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 17,581 sq.m. and 36,157.14 sq.m. (exclusive of basement with a gross floor area of approximately of 5,017.59 sq.m.) respectively</p> <p>The land use rights of the Property were granted for a term expiring on 5 April 2050 for wholesale and retail uses.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB252,900,000</p> <p>(equivalent to approximately HK\$281,000,000)</p>	100%	<p>RMB252,900,000</p> <p>(equivalent to approximately HK\$281,000,000)</p>

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Tan Guo Yong (2010) No. 8962) dated 31 August 2010, the land use rights of the land parcel of the Property with a site area of approximately 17,581 sq.m. were granted to Jiangsu Jintan Datonghua Shopping Center Co., Ltd. (Jintan Datonghua) for a term expiring on 5 April 2050 for wholesale and retail uses.
- Pursuant to a Building Ownership Certificate (Document Nos. Jin Tan Shi Fang Quan Zheng Chang Jin Zi No. 017190) dated 3 June 2013, the ownership of the building of the Property with a total gross floor area of approximately 36,157.14 sq.m. (exclusive of basement with a gross floor area of approximately of 5,017.59 sq.m.) is vested in Jintan Datonghua for commercial use.
- Portions of the Property with a total gross floor area of approximately 3,586 sq.m. are subject to various tenancy agreements with the latest expiry date on 31 January 2027 at a total monthly rental of approximately RMB231,268. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Jintan Datonghua is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB5,000 to 15,000 per sq.m.
- The Property is located at the southern part of Jiangsu Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hours driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
17	No. 2 Jiefang Road West, Zhicheng Community, Changxing County, Huzhou City, Zhejiang Province, the PRC	The Property comprises a 7-storey shopping mall (exclusive of mezzanine floor, mechanic floor and a 2-storey basement) completed in 2010s.  The total site area and gross floor area of the Property is approximately 10,000 sq.m. and 38,099.94 sq.m. (exclusive of basement with a gross floor area of approximately of 13,084.91 sq.m.) respectively.  The land use rights of the Property were granted for a term expiring on 22 April 2050 for wholesale and retail uses.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB322,100,000  (equivalent to approximately HK\$357,900,000)	100%	RMB322,100,000  (equivalent to approximately HK\$357,900,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Chang Tu Guo Yong (2014) No. 10003925) dated 26 June 2014, the land use rights of the land parcel of the Property with a site area of approximately 10,000 sq.m. were granted to Changxing Yaohan Commerce & Trade Co., Ltd. (Changxing Yaohan) for a term expiring on 22 April 2050 for wholesale and retail uses.
- Pursuant to a Building Ownership Certificate (Document No. Chang Fang Quan Zheng Zhi Cheng Zi No. 00211566) dated 27 June 2014, the ownership of Levels 1 to 9, Basement Level 1 and portion of Basement Level 2 and Mezzanine Floor of the building of the Property with a total gross floor area of approximately 36,610.05 sq.m. (exclusive of basement with a total gross floor area of approximately 13,084.91 sq.m.) is vested in Changxing Yaohan for commercial use.
- According to the information provided by the Group, the Property comprises an office unit on Mezzanine Floor with a gross floor area of approximately 1,489.89 sq.m. and 150 underground car parking spaces on Basement Level 2 without Building Ownership Certificates. We have ascribed no commercial value to these portions of the Property due to the absence of Building Ownership Certificates, hence these portions of the Property are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these portions of the Property as at the Valuation Date is RMB4,300,000 (equivalent to approximately HK\$4,800,000) by assuming these portions of the Property have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 5,548 sq.m. are subject to various tenancy agreements with the latest expiry date on 9 August 2027 at a total monthly rental of approximately RMB358,953. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.



5. According to information provided by the Company, Changxing Yaohan is an indirectly wholly-owned subsidiary of the Company.
6. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
7. The Property is located at the northern part of Zhejiang Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Hangzhou Xiaoshan International Airport is approximately 2-hour driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portions of the building of the Property stated in Note 2 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
18	No. 1360 Zhongshan Road East, Nanhu District, Jiaxing City, Zhejiang Province, the PRC	<p>The Property comprises a 9-storey shopping mall (exclusive of mezzanine floor, mechanic floor and a 3-storey basement) completed in 2010s.</p> <p>The total site area and gross floor area of the Property is approximately 31,808.8 sq.m. and 113,778.81 sq.m. (exclusive of basement with a gross floor area of approximately of 62,498.63 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 26 October 2052 for commercial uses.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB1,166,300,000</p> <p>(equivalent to approximately HK\$1,295,900,000)</p>	100%	<p>RMB1,166,300,000</p> <p>(equivalent to approximately HK\$1,295,900,000)</p>

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Zhe (2017) Jia Nan Bu Dong Chan Quan No. 0045406) dated 18 September 2017, the land use rights of the land parcel of the Property with a site area of approximately 31,808.8 sq.m. were granted to Jiaxing Yaohan Commerce & Trade Center Co., Ltd. (Jiaxing Yaohan) for a term expiring on 26 October 2052 for commercial use.

Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of Levels 1 to 9, Basement Levels 1 to 3 and mechanic floor of the building of the Property with a total gross floor area of approximately 174,020.14 sq.m. (inclusive of basement) are vested in Jiaxing Yaohan for commercial use.

- According to the information provided by the Group, the Property comprises a bicycle parking area on Mezzanine Floor with a gross floor area of approximately 2,257.3 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to the Mezzanine Floor due to the absence of Real Estate Ownership Certificates, hence Mezzanine Floor of the Property is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the Mezzanine Floor as at the Valuation Date is RMB29,300,000 (equivalent to approximately HK\$32,600,000 by assuming the Mezzanine Floor have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 30,264.56 sq.m. are subject to various tenancy agreements with the latest expiry date on 17 December 2030 at a total monthly rental of approximately RMB3,404,005. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.

4. According to information provided by the Company, Jiaxing Yaohan is an indirectly wholly-owned subsidiary of the Company.
5. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB15,000 to 25,000 per sq.m.
6. The Property is located at the northern part of Zhejiang Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Hangzhou Xiaoshan International Airport is approximately 1-hour driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 1 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 2 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Notes 3 and 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
19	The commercial complex of Huadi Yaohan, Jixian Road South, Daguan District, Anqing City, Anhui Province, the PRC	The Property comprises a 9-storey shopping mall (exclusive of a 3-storey basement car park) completed in 2010s.  The total site area and gross floor area of the Property is approximately 17,176.78 and 48,103.9 sq.m.  The land use rights of the Property were granted for a term expiring on 8 September 2046 for commercial and finance uses.	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB415,800,000  (equivalent to approximately HK\$462,000,000)	100%	RMB415,800,000  (equivalent to approximately HK\$462,000,000)

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Wan (2017) An Qing Shi Bu Dong Chan Quan No. 0049812, the land use rights of the land parcel of the Property with a site area of approximately 17,176.78 sq.m. were granted to Anqing Yaohan Commerce & Trade Center Co., Ltd. (Anqing Yaohan) for a term expiring on 8 September 2046 for commercial and finance uses.

Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of Levels 1 to 9 of the building of the Property with a total gross floor area of approximately 48,103.9 sq.m. are vested in Anqing Yaohan for commercial use.

- According to the information provided by the Group, the Property comprises an extension with a gross floor area of approximately 41,486.53 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Real Estate Ownership Certificates, hence the basement of the Property is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the extension as at the Valuation Date is RMB124,200,000 (equivalent to approximately HK\$138,800,000) by assuming the basement of the Property have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 19,865 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2034 at a total monthly rental of approximately RMB905,013. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Anqing Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.

6. The Property is located at the eastern part of Anhui Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 3-hours driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 1 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 2 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 3 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
20	Wuhu Yaohan Lifestyle Shopping Mall, Jinghu District, Wuhu City, Anhui Province, the PRC	<p>The Property comprises an 8-storey shopping mall (inclusive of mezzanine floor but exclusive of a 2-storey basement) completed in 2010s</p> <p>The total site area and gross floor area of the Property is approximately 38,187 sq.m. and 131,473 sq.m. (exclusive of basement with a gross floor area of approximately of 50,403 sq.m.) respectively.</p> <p>The land use rights of the Property were granted for a term expiring on 4 December 2054 for wholesale and retail uses.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB1,009,500,000</p> <p>(equivalent to approximately HK\$1,121,700,000)</p>	100%	<p>RMB1,009,500,000</p> <p>(equivalent to approximately HK\$1,121,700,000)</p>

*Notes:*

- Pursuant to a Real Estate Ownership Certificate (Document No. Wan (2018) Wu Hu Shi Bu Dong Chan Quan No. 0476496, the land use rights of the land parcel of the Property with a site area of approximately 38,187 sq.m. were granted to Wuhu Yaohan Lifestyle Co., Ltd. (Wuhu Yaohan) for a term expiring on 4 December 2054 for commercial and finance uses.

Moreover, as stipulated in the Real Estate Ownership Certificate, the ownership of Levels 1 to 8, Basement Level 1 and portion of Basement Level 2 of the building of the Property with a total gross floor area of approximately 165,251.06 sq.m. (inclusive of basement) are vested in Wuhu Yaohan.

- According to the information provided by the Group, the Property comprises various underground car parking spaces on Basement Level 2 with a gross floor area of approximately 16,626 sq.m. without Real Estate Ownership Certificates. We have ascribed no commercial value to these car parking spaces due to the absence of Real Estate Ownership Certificates, hence these car parking spaces are not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of these car parking spaces as at the Valuation Date is RMB155,800,000 (equivalent to approximately HK\$173,100,000) by assuming these car parking spaces have obtained the relevant title documents and is freely transferrable in the market.

- Portions of the Property with a total gross floor area of approximately 29,390.1 sq.m. are subject to various tenancy agreements with the latest expiry date on 22 October 2033 at a total monthly rental of approximately RMB2,797,820. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Wuhu Yaohan is an indirectly wholly-owned subsidiary of the Company.

5. The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
6. The Property is located at the eastern part of Anhui Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hour driving distance from the Property. Taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 1 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 2 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 3 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
21	No.2-1 Dahua Ma'anshan International Plaza, Huashan District, Ma'anshan City, Anhui Province, the PRC	<p>The Property comprises a 5-storey shopping mall (exclusive of a single-storey basement) completed in 2000s.</p> <p>The total site area and gross floor area of the Property is approximately 7,210.59 and 36,181.15 sq.m. respectively.</p> <p>The land use rights of the Property were granted for a term expiring in November 2043 for commercial use.</p>	<p>The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.</p>	<p>RMB355,700,000</p> <p>(equivalent to approximately HK\$395,200,000)</p>	100%	<p>RMB355,700,000</p> <p>(equivalent to approximately HK\$395,200,000)</p>

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Ma Guo Yong (2011) No. 84109) dated 2 November 2011, the land use rights of the land parcel of the Property with a site area of approximately 7,210.59 sq.m. were granted to Ma'anshan Yaohan Commerce & Trade Co., Ltd. (Ma'anshan Yaohan) for a term expiring in November 2043 for commercial use.
- Pursuant to a Building Ownership Certificate (Document No. Ma Fang Di Quan Zheng Ma Fang Zi No. 2011017209) dated 23 June 2011, the ownership of Levels 1 to 5 of the building of the Property with a total gross floor area of approximately 32,358.75 sq.m. is vested in Ma'anshan Yaohan for commercial use.
- According to the information provided by the Group, the Property comprises a single-storey basement with a gross floor area of approximately 3,822.4 sq.m. without Building Ownership Certificates. We have ascribed no commercial value to the basement due to the absence of Building Ownership Certificates, hence the basement of the Property is not entitled to be transferred, leased and mortgaged in the market.

However, for indicative purpose, the market value of the basement as at the Valuation Date is RMB65,700,000 (equivalent to approximately HK\$73,000,000) by assuming the basement of the Property have obtained the relevant title documents and is freely transferrable in the market.
- Portions of the Property with a total gross floor area of approximately 1,073.5 sq.m. are subject to various tenancy agreements with the latest expiry date on 30 September 2024 at a total monthly rental of approximately RMB169,854. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Ma'anshan Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.



7. The Property is located at the eastern part of Anhui Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 1-hours driving distance from the Property. Taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the portion of the building of the Property stated in Note 1 is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) the portions of the building stated in Notes 3 is not entitled to be transferred, leased and mortgaged in the market by the Company;
  - (d) all tenancy agreements in Note 4 are legally binding; and
  - (e) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
22	No.1-01, Tower C, Block 1, Xuancheng International Plaza, Diezhang Road, Xuanzhou District, Xuancheng City, Anhui Province, the PRC	<p>The Property comprises a shopping mall on Levels 1 to 4 and Basement of a 25-storey composite building (exclusive of a single-storey basement car park) completed in 2010s.</p> <p>The total gross floor area of the Property is approximately 38,040.26 sq.m. (exclusive of basement with a gross floor area of approximately 15,883.27 sq.m.)</p> <p>The land use rights of the Property were granted for a term expiring on 2 September 2050 for commercial use.</p>	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	RMB523,100,000  (equivalent to approximately HK\$581,200,000)	100%	RMB523,100,000  (equivalent to approximately HK\$581,200,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Xuan Guo Yong (2014) No. 3083) dated 12 August 2014, the land use rights of the land parcel of the Property were granted to Xuancheng Yaohan Commerce & Trade Co., Ltd. (Xuancheng Yaohan) for a term expiring on 2 September 2050 for commercial use.
- Pursuant to a Real Estate Ownership Certificate (Document No. Xuan Fang Di Quan Zheng Xuan Zhou Zi No. 00196799) dated 21 May 2014, the ownership of the building of the Property with a total gross floor area of approximately 53,923.53 sq.m. (inclusive of basement) is vested in Xuancheng Yaohan for commercial use.
- Portions of the Property with a total gross floor area of approximately 2,554.32 sq.m. are subject to various tenancy agreements with the latest expiry date on 28 April 2021 at a total monthly rental of approximately RMB439,875. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.
- According to information provided by the Company, Xuancheng Yaohan is an indirectly wholly-owned subsidiary of the Company.
- The average unit rate on Level 1 of the commercial units in the locality as at the Valuation Date is ranging from RMB10,000 to 20,000 per sq.m.
- The Property is located at the eastern part of Anhui Province, developments in the locality are mainly medium to high-rise commercial and residential developments. Nanjing Lukou International Airport is approximately 2-hour driving distance from the Property. Taxis and buses are accessible to the Property.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the land parcel of the Property is entitled to be occupied, used, transferred, leased and mortgaged by the Company;
  - (b) the building of the Property is entitled to be used, operated, transferred, leased and mortgaged by the Company;
  - (c) all tenancy agreements in Note 3 are legally binding; and
  - (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
23	No. 47 Renmin Road Central, Chongchuan District, Nantong City, Jiangsu Province, the PRC	<p>The Property comprises an 11-storey shopping mall (exclusive of a 2-storey basement car park and mechanical floor) completed in between 2000s.</p> <p>The total site area and gross floor area of the Property is approximately 12,501.91 and 55,215.25 sq.m. (exclusive of basement and mechanical floor with gross floor areas of approximately 9,973.67 and 243.55 sq.m. respectively) respectively.</p> <p>The land use rights of the Property were granted and allocated for a term expiring on 29 August 2051 for commercial and services uses.</p>	The Property was partially tenant-occupied and partially occupied by the Group for commercial and car parking uses as at the Valuation Date.	No commercial value	98.93%	No commercial value

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate (Document No. Su Tong Guo Yong (2001) Zi No. 0102020) dated 28 July 2001, the land use rights of two land parcels of the Property with a site area of approximately 3,505.63 sq.m. and 8,996.28 sq.m. respectively were granted and allocated to Nantong City Department Store Joint Stock Company Limited\*南通市百貨大樓股份有限公司(now known as Nantong Yaohan Commerce & Trade Joint Stock Company Limited (“Nantong Yaohan”)) for a term expiring on 29 August 2051 for commercial and services uses.
- Pursuant to a State-owned Land Use Rights Tenancy Agreement entered into between Nantong Industries Holdings Group Limited\*南通產業控股集團有限公司(the “Landlord”) and Nantong Yaohan (the “Tenant”), the land use rights of the allocated land parcels of the Property with a site area of approximately 8,996 sq.m. were leased from the Landlord to the Tenant for a term of 1 year commenced on 1 January 2019 and expiring on 31 December 2019 for commercial use uses at an annual rental of RMB719,680.
- Pursuant to a Building Ownership Certificate (Document No. Nan Tong Fang Quan Zheng Zi No. 12107796) dated 21 June 2004, the ownership of portion of Levels 1 to 6 the building of the Property with a total gross floor area of approximately 13,334.03 sq.m. is vested in Nantong City Department Store Joint Stock Company Limited.
- According to the information provided by the Group, the Property comprises Basement Levels 1 and 2, Levels 7 to 11, mechanical floor and portions of Levels 1 to 6 of the building of the Property with a total gross floor area of 41,881.22 sq.m. (exclusive of basement and mechanical floor with gross floor areas of approximately 9,973.67 and 243.55 sq.m. respectively) without Building Ownership Certificates obtained.
- Portions with the Property with a total gross floor area of 10,103.56 sq.m. were subject to various tenancy agreements with the latest expiry date on 31 May 2027 at a total monthly rental of approximately RMB1,308,762. According to information provided by the Company, all the tenants of these tenancy agreements are independent third parties of the Company.

6. According to information provided by the Company, Nantong Yaohan is an indirectly 98.93% owned subsidiary of the Company.

7. In accordance with the legal opinions in Note 10, the Property is not entitled to be transferred and mortgaged in the market by the Company. In our valuation, we have ascribed no commercial value to the Property.

However, for indicative purpose, the market value of the Property as at the Valuation Date is RMB790,700,000 (equivalent to approximately HK\$878,600,000) by assuming the Property has obtained the relevant title documents and is freely transferrable in the market. The market value attributable to the Group as at the Valuation Date is RMB782,200,000 (equivalent to approximately HK\$869,100,000) by assuming the Property has obtained the relevant title documents and is freely transferrable in the market.

8. The average the unit rate on Level 1 of commercial units in the locality as at the Valuation Date is ranging from RMB20,000 to 30,000 per sq.m.

9. The Property is located at the southern part of Jiangsu Province, Nantong Xingdong International Airport and Shanghai Hongqiao International Airport are approximately 30-minutes and 2-hours driving distance from the Property respectively. Taxis and buses are accessible to the Property.

10. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:

- (a) the Property is not entitled to be transferred, leased and mortgaged in the market by the Company;
- (b) all tenancy agreements in Note 5 are legally binding;
- (c) Nantong City Department Store Joint Stock Company Limited is renamed Nantong Yaohan, but the company's name in the State Owned Land Use Right Certificate and Building Ownership Certificate are not updated as at the Valuation Date. However, such inconsistency will not affect the ownership of the Property; and
- (d) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.

## VALUATION REPORT

## Group II – Property interests held by the Group for development purpose in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
24	The construction site on the southern side of Xihu Road and western side of Baizhuang Road, Dongting Community, Xishan District, Wuxi City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 61,000 sq.m. together with the construction works in progress thereon.  Upon completion, the Property will comprise a 10 storey commercial building with shopping mall on Levels 1 to 6 and of Basement Level 1 and offices on Levels 7 to 10 (exclusive of a 2-storey basement) with a total gross floor area of approximately 161,742 sq.m. (exclusive of basement of approximately 100,432 sq.m.)  The land use rights of the Property were granted for a term expiring on 29 January 2055 for wholesale and retail uses.	The Property was under construction as at the Valuation Date.	RMB918,200,000  (equivalent to approximately HK\$1,020,200,000)	100%	RMB918,200,000  (equivalent to approximately HK\$1,020,200,000)

*Notes:*

- Pursuant to a State Owned Land Use Rights Certificate, the land use rights of the Property with a site area of approximately 61,000 sq.m. were granted to Wuxi Xishan Yaohan Lifestyle Centre Co., Ltd. (Xishan Yaohan) for a term expiring on 29 January 2055 for wholesale and retail uses.
- Pursuant to a State Owned Land Use Rights Grant Contract entered into between Wuxi City State Owned Land Resource Bureau (the Grantor) and Xishan Yaohan (the Grantee) dated 18 October 2013, the land use rights of the Property with a site area of approximately 61,000 sq.m. were granted from the Grantor to the Grantee at a consideration of RMB239,800,000 for a term expiring on 29 January 2055 for commercial use. Salient points are as follows:

Total Gross Floor Area	:	Not less than 195,200 sq.m. and not more than 219,600 sq.m.
Plot Ratio	:	Not less than 3.2 and not more than 3.6
Building Height	:	Unrestricted
Site Coverage	:	Less than 55%
- According to the information provided by the Group, the Property will be developed into a 6-storey shopping mall podium with a 4-storey office tower erected thereon (exclusive of a 2-storey basement for shops and car parking uses). The proposed total gross floor area of the proposed development is approximately 161,742 sq.m. (exclusive of basement of approximately 100,432 sq.m.).

The incurred construction cost and estimated total construction cost (exclusive of land cost) as at the Valuation Date are RMB536,366,500 and RMB1,233,985,600 respectively. The Property is estimated to be completed in December 2020.

4. For indicative purpose, the market value of the Property is RMB1,615,785,600 (equivalent to approximately HK\$1,795,300,000) by assuming the development of the Property has been completed as at the Valuation Date.
5. According to information provided by the Company, Xishan Yaohan is an indirectly wholly-owned subsidiary of the Company.
6. The average accommodation value of commercial land parcel in the locality as at the Valuation Date is RMB1,000 to RMB2,000 per sq.m.
7. The Property is located at the southern part of Jiangsu Province, Wuxi Metro Baizhuang Station is adjacent to the Property and Sunan Shuofang International Airport is approximately 30-minutes driving distance from the Property. Metro, taxis and buses are accessible to the Property.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
  - (a) the Property is entitled to be developed occupied, used, transferred, leased and mortgaged in the market by the Company; and
  - (b) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property; and
  - (c) The following legal documents were obtained:

State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes

## VALUATION REPORT

## Group III – Property interests to be held by the Group for self-occupation in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2019	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 October 2019
25	A shopping mall on Basement Level 1, Levels 1 to 5 and Mezzanine Floor and 800 car parking spaces on Basement Levels 1 and 2 of the Block 1 of Jiangyin Central Plaza, located at the eastern side of Zhengcun Road, southern side of Huancheng Road South, western side of Hongqiao Road South and northern side of Zhongwei Road, Chengjiang Community, Jiangyin City, Wuxi City, Jiangsu Province, the PRC	Jiangyin Central Plaza (the “Development”) comprises a medium-rise commercial/residential development completed in 2019.  Block 1 of the Development comprises an 18-storey composite building (exclusive of a 2-storey basement and Mezzanine Floor) with car parking spaces on Basement Levels 1 and 2, shopping mall on Basement Level 1, Levels 1 to 5 and Mezzanine Floor and apartment units on Levels 6 to 18.  The Property comprises the shopping mall on Basement Level 1, Levels 1 to 5 and Mezzanine Floor together with 800 car parking spaces on Basement Levels 1 and 2 of the Development with a total gross floor area of approximately 101,034.66 sq.m. (exclusive of basement with a gross floor area of approximately 10,100 sq.m.).  The land use rights of the Property were granted for a term expiring on 9 September 2054 for commercial use.	The Property was under internal decoration as at the Valuation Date.	No commercial value	100%	No commercial value

*Notes:*

- Pursuant to a State Owned Land Use Rights Certificates (Document No. Cheng Tu Guo Yong (2015) No. 2468) dated 12 February 2015, the land use rights of the Development with a site area of approximately 57,802 sq.m. was granted to Jiangyin Yunlong Property Company Limited\* 江陰雲龍置業有限公司 (Jiangyin Yunlong) (the Grantee) for a term expiring on 9 September 2054 for wholesale, retail, commercial and finance uses.
- Pursuant to a Property Framework Co-operation Agreement entered into between Jiangyin Yunlong (Party A) and Jiangyin Yaohan Business Centre Company Limited (Jiangyin Yaohan) (Party B) dated 18 August 2019, the Property with a total gross floor area of approximately 101,035 sq.m. (exclusive of basement shopping arcade with a gross floor area of approximately 10,100 sq.m. and 800 underground car parking spaces) will be transferred from Party A to the Party B for a consideration of RMB1,020,000,000.



3. The legal title of the Property is not yet transferred to the Company as at the Valuation Date; hence the Property is not entitled to be transferred, leased and mortgaged in the market by the Company. In our valuation, we have ascribed no commercial value to the Property.

However, for indicative purpose, the market value of the Property as at the Valuation Date is RMB1,019,200,000 (equivalent to approximately HK\$1,132,400,000) by assuming the Property has obtained the relevant title documents and is freely transferrable in the market.

4. According to information provided by the Company, Jiangyin Yunlong is an independent third party of the Company and Jiangyin Yaohan is an indirectly wholly-owned subsidiary of the Company.
5. The average unit rate of Level 1 commercial units in the locality as at the Valuation Date is RMB10,000 to 20,000 per sq.m.
6. The Property is located at the southern part of Jiangsu Province, Wuxi Metro Baizhuang Station is adjacent to the Property and Sunan Shuofang International Airport is approximately 30-minutes driving distance from the Property. Metro, taxis and buses are accessible to the Property.
7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, DeHeng Law Offices, which contains, inter alia, the following information:
- (a) the Property is not entitled to be transferred, leased and mortgaged in the market by the Company until Real Estate Ownership Certificate is granted under the name of the Purchaser; and
  - (b) the Property is free from any mortgages, charges, orders and other legal encumbrances which may cause adverse effects on the ownership of the Property.; and
  - (c) The following legal documents were obtained:

State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes