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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **HKC (Holdings) Limited**, 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 institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to purchase or subscribe for securities of the Offeror or HKC (Holdings) Limited.

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**Genesis Ventures Limited**  
**華創創業投資有限公司**

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



**HKC (HOLDINGS) LIMITED**  
**香港建設(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 190)**

*(website: [www.hkcholdings.com](http://www.hkcholdings.com))*

**(1) PROPOSED PRIVATISATION OF HKC (HOLDINGS) LIMITED  
BY  
GENESIS VENTURES LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA  
(2) PROPOSED DECLARATION OF SECOND INTERIM DIVIDEND  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF  
HKC (HOLDINGS) LIMITED**

**Financial Adviser to the Offeror**



**SOMERLEY CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED



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Unless the context otherwise requires, capitalised terms used in this Scheme Document have the meanings set out in Part I of this Scheme Document.

A letter from the Board is set out in Part III of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting is set out in Part IV of this Scheme Document. A letter from Anglo Chinese, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and as to voting is set out in Part V of this Scheme Document. An Explanatory Statement regarding the Proposal is set out in Part VI of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the SGM, 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 SGM, in accordance with the instructions printed on them respectively, and to deposit them at the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "IMPORTANT NOTICE AND ACTIONS TO BE TAKEN" of this Scheme Document. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited and the chairman shall have absolute discretion as to whether or not to accept it. If you attend and vote at the Court Meeting and the SGM, the authority of your proxy will be deemed to be revoked.

This Scheme Document is issued jointly by Genesis Ventures Limited and HKC (Holdings) Limited.

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

\* For identification purposes only

1 April 2021

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## PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE SGM

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Please see the notices of Court Meeting and SGM set out in Appendices V and VI of this Scheme Document for measures being taken with a view to preventing and controlling the spread of the Coronavirus Disease 2019 (“COVID-19”) at the Court Meeting and the SGM, including:

- compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
- no refreshment will be served, and there will be no corporate gift; and
- each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Court Meeting/SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent practicable. In view of the Regulation and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the Court Meeting and/or the SGM and only Shareholders and/or their proxies and relevant Court Meeting and/or SGM staff will be allowed entry into Court Meeting and/or SGM venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the Court Meeting and/or the SGM as may be necessary to avoid overcrowding.

**The Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the forms of proxy enclosed with this Scheme Document.**

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Court Meeting and/or the SGM.

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with this Scheme Document sent to the Shareholders.

**Whether or not you are able to attend the Court Meeting and/or the SGM, 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 SGM in accordance with the instructions printed on them respectively, and to deposit them at the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.**

In order to be valid, the **pink** form of proxy for use in connection with the Court Meeting should be lodged not later than 10:00 a.m. on Wednesday, 21 April 2021. The **pink** form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. The **white** form of proxy for use in connection with the SGM must be lodged not later than 10:30 a.m. on Wednesday, 21 April 2021, failing which it will not be valid. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM. You are therefore strongly encouraged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

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

### **Announcement of results of Court Meeting and the SGM**

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

### **Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchaser/transferee**

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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**Shareholders and potential investors of the Company are advised to read this Scheme Document carefully, in particular, (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from Anglo Chinese in Part V of this Scheme Document, before voting at the Court Meeting and/or the SGM.**

### **Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS**

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons; or
- (ii) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Monday, 19 April 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

### **Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner other than HKSCC Nominees Limited**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Monday, 19 April 2021 with Computershare Hong Kong Investor Services Limited, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner 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 SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them 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 SGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

### EXERCISE YOUR RIGHT TO VOTE

**If you are a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner (including HKSCC Nominees Limited), you are strongly encouraged to exercise your right to vote (in the case of a Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the Court Meeting and/or the SGM. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.**

**If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote, in person or by proxy, at the Court Meeting and/or the SGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting and/or the SGM, 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.**

**In respect of any Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the SGM without delay.**

**Only Disinterested Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date may vote at the Court Meeting and will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Companies Act. In view of the interest of the Offeror and the Offeror Concert Parties, any and all Scheme Shareholders who are acting in concert with the Offeror are not entitled to, and will not, vote at the Court Meeting in respect of the resolution to approve the Scheme to be proposed at the Court Meeting. Accordingly, the 29,982,969 Scheme Shares held by the Offeror Concert Parties will not be voted at the Court Meeting. Any other Scheme Shares held by any other person acting in**

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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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concert with the Offeror will also not be voted at the Court Meeting. In accordance with the direction from the Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions as represented by the Scheme Shares it receives. 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 Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Companies Act should make arrangements to be registered as a members of the Company in their own names by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Monday, 19 April 2021 with Computershare Hong Kong Investor Services Limited.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that Beneficial Owners should consider transferring some or all their Shares into their names if they wish to be counted individually for the purposes of the headcount test.

### NOTICE TO OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to certain Scheme Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Scheme Shareholders and Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposal, as the case may be, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Any action taken by such Scheme Shareholders or Beneficial Owners in respect of the Proposal will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and requirements have been complied with.

Scheme Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be.

Overseas Scheme Shareholders and Beneficial Owners are advised to read the section headed “17. Overseas Scheme Shareholders” in the Explanatory Statement in Part VI of this Scheme Document for further information.



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## IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, the Company, Somerley, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

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## LETTER FROM THE OFFEROR

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1 April 2021

*To the Shareholders*

Dear Sir or Madam,

As a director of the Offeror, which is a company ultimately beneficially owned as to 50% by me and 50% by my wife, Mrs. OEI Valonia Lau, and your long-serving chief executive/chairman of the Company, I felt I should write you a personal note to explain why the Offeror is putting forward the Proposal to privatise the Company. This was a very difficult decision for me. The Company has approximately 1,600 registered Shareholders, many of which are long-standing Shareholders and I have greatly appreciated your loyalty and support all along. I have made significant efforts throughout my time with the Company to improve the value of the Company and to increase liquidity so that Shareholders can realise the value of their Shares when they decide to exit. I would like to take this opportunity to recap key initiatives I have taken to try to develop the Company and why I (through the Offeror) put forward the present Proposal to you.

In 2004, after some years of losses, the Company encountered severe financial difficulties and was in need of a ‘white knight’. Some HK\$2.2 billion of indebtedness had to be restructured and by in effect converting much of this debt to equity, I became the ultimate controlling shareholder of the Company. I was an early believer in property development in the PRC and had built up the Company’s interests in that field. In 2007, I made substantial Share subscriptions to show my commitment to the Company. I also took steps to introduce noted international investors, Cerberus Asia Capital Management, LLC and Penta Investment Advisers Ltd., to the Company, and both became substantial Shareholders. My hope was, among other things, that this would attract institutional investors and achieve a wider shareholder base for the Company. At the same time, I decided to diversify the Company’s activities into renewable energy (wind farms), and the Company became one of the companies listed in Hong Kong to embrace green policies. In 2010, I attempted to make the Group’s structure more attractive by effectively spinning off our renewable energy assets. Despite these steps, my attempts to increase the value and trading liquidity of the Shares did not succeed. In 2015, I bought out Cerberus Asia Capital Management, LLC which triggered a mandatory general offer under the Takeovers Code, at a price equivalent to HK\$6.25 per Share (calculated based on the Share consolidation which was implemented by the Company on 7 October 2016).

The mandatory general offer had the unintended effect of reducing the number of Shares in public hands. In recent years, I have tried to continue my support by purchasing Shares myself and sponsoring measures introduced by the Board for Share buyback which are generally considered shareholder friendly and which I hoped would provide a source of liquidity and strength for the Share price. Unfortunately, these efforts have achieved only intermittent and short-lived success. I can no longer continue such measures in any significant manner as the number of Shares in public hands is now only approximately 0.24% above the minimum required level of 25%.



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## LETTER FROM THE OFFEROR

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Given these circumstances, I believe the Cancellation Price of HK\$8.00 per Share, which is more than double the price level before the Proposal was announced, is an attractive exit opportunity for you. Uncertainties such as those created by the Sino-US tension and COVID-19 pandemic, as well as the Chinese government policies that restrict property developers, such as imposing limits on leverage that makes property development more difficult, continue to be discouraging factors, resulting in lower valuations for property developers listed in Hong Kong. I still believe the Company has a good future but I cannot predict how long the present difficulties will last.

For these reasons, I have decided, as your chairman and controlling shareholder of the Company, to put forward the Proposal. After the privatisation, I believe the Company will have greater flexibility to deal with its commercial challenges and will save on administrative costs. I have no intention to list the Company on any other exchange.

As this is a more personal note, I urge you to read carefully the formal advice given to you by the Independent Board Committee and the Independent Financial Adviser set out in the Scheme Document.

Thank you again for your continuous support!

Yours faithfully,  
For and on behalf of  
**GENESIS VENTURES LIMITED**  
**OEI Kang, Eric**  
*Director*

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*In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise.*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement Date”	17 January 2021, being the date of the Joint Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, waivers, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s)
“Board”	the board of Directors
“Business Day”	a day on which Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“Cancellation Price”	the cancellation price of HK\$8.00 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	HKC (Holdings) Limited (香港建設(控股)有限公司*), an exempted company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 190)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as described in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Court”	the Supreme Court of Bermuda
“Court Hearing”	the hearing of the petition by the Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:00 a.m. at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror Concert Parties
“Dividend Record Date”	the earlier of the Scheme Record Date or 30 June 2021, being the record date for the purpose of determining entitlements of the Second Interim Dividend
“Effective Date”	the date on which an office copy of the Order of the Court sanctioning the Scheme and making such as appropriate pursuant to Section 99 of the Companies Act shall have been delivered to the Registrar of Companies for registration, at which time the Scheme shall become effective
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in Part VI of this Scheme Document issued in compliance with Section 100 of the Companies Act
“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 (comprising Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David) which has been established to advise the Disinterested Scheme Shareholders in respect of the Proposal and as to voting
“Independent Financial Adviser” or “Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal and as to voting
“Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Joint Announcement”	the joint announcement published by the Offeror and the Company on 17 January 2021 in relation to the Proposal
“Last Trading Date”	12 January 2021, being the last trading day in the Shares on the Stock Exchange immediately before the publication of the Joint Announcement
“Latest Practicable Date”	29 March 2021, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2021 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive
“Meeting Record Date”	23 April 2021 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the SGM
“Mr. OEI”	Mr. OEI Kang, Eric, chairman and chief executive officer of the Company and a controlling Shareholder
“NAV per Share”	the audited or unaudited consolidated net value attributable to Shareholders divided by the number of Shares in issue, as announced by the Company from time to time

“Offeror”	Genesis Ventures Limited, a company incorporated in the BVI with liability limited by shares, which is ultimately beneficially owned as to 50% by Mr. OEI and 50% by his wife, Mrs. OEI Valonia Lau
“Offeror Concert Party(ies)”	persons acting in concert with the Offeror in relation to the Company as defined under the Takeovers Code (including Mr. OEI and his wife, Mrs. OEI Valonia Lau, Creator Holdings Limited, Genesis Capital Group Limited, Mr. OEI Tjie Goan, the father of Mr. OEI, and Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy, both executive Directors)
“PRC”	the People’s Republic of China
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions set out in this Scheme Document
“Reassessed NAV per Share”	the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$25.3 as at 31 December 2020 (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2020 of HK\$13,701.4 million, having adjusted for the addition of the valuation surplus arising from the appraised value of the properties of HK\$2,330.1 million based on the valuation of the properties of the Group as at 31 January 2021 as set out in Appendix II to this Scheme Document and the deduction of the additional potential tax liabilities arising from the realisation of the appraised properties of HK\$3,080.5 million, divided by 511,074,246 Shares in issue)
“Registered Owner(s)”	any nominee, trustee, depository or any other authorised custodian or third party whose name is entered in the register of members of the Company as the holder of the Shares
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Regulation”	the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time)
“Relevant Authorities”	competent governments and/or governmental bodies, regulatory bodies, courts or institutions



“Relevant Period”	the period commencing on 17 July 2020, being the date falling six months prior to the Announcement Date, and ending on the Latest Practicable Date
“Scheme”	a scheme of arrangement to be proposed under Section 99 of the Companies Act between the Company and the Scheme Shareholders involving the cancellation of all the Scheme Shares with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Record Date”	14 May 2021 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	Shares, other than those held by the Offeror, Creator Holdings Limited and Genesis Capital Group Limited
“Scheme Shareholder(s)”	holder(s) of Scheme Share(s) as at the Scheme Record Date
“Second Interim Dividend”	a second interim dividend of 13 HK cents per Share declared by the Board on 13 January 2021 in lieu of a final dividend for the year ended 31 December 2020, payable to the Shareholders whose names appear on the register of members of the Company on the Dividend Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of Shareholders to be convened at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:30 a.m. for the purpose of passing all necessary resolutions for, amongst other things, the implementation of the Proposal, notice of which is set out in Appendix VI to this Scheme Document, or any adjournment thereof
“Share Registrar”	Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar

“Share(s)”	ordinary share(s) of par value HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Somerley”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in connection with the Proposal
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent. or percentage

\* *For identification purposes only*

*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected date of the Court Hearing and the Effective Date which are the relevant times and dates in Bermuda. For reference only, Bermuda time is 11 hours behind Hong Kong time as at the date of this Scheme Document.*

**Hong Kong time  
(unless otherwise stated)**

Date of despatch of this Scheme Document . . . . . Thursday, 1 April 2021

Latest time for lodging transfers of Shares to  
qualify for the entitlement to attend and vote  
at the Court Meeting and the SGM . . . . . 4:30 p.m. on  
Monday, 19 April 2021

Closure of the register of members of the Company for  
determining entitlement to attend and vote  
at the Court Meeting and the SGM<sup>(1)</sup> . . . . . from Tuesday, 20 April 2021 to  
Friday, 23 April 2021  
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting<sup>(2)</sup> . . . . . 10:00 a.m. on Wednesday, 21 April 2021

SGM<sup>(2)</sup> . . . . . 10:30 a.m. on Wednesday, 21 April 2021

Meeting Record Date for determining the entitlement  
to attend and vote at the Court Meeting and the  
SGM . . . . . Friday, 23 April 2021

Court Meeting<sup>(2)</sup> & <sup>(3)</sup> . . . . . 10:00 a.m. on Friday, 23 April 2021

SGM<sup>(2)</sup> & <sup>(3)</sup> . . . . . 10:30 a.m. on Friday, 23 April 2021  
(or immediately after the conclusion or  
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting  
and the SGM, published on  
the website of the Stock Exchange. . . . . not later than 7:00 p.m.  
on Friday, 23 April 2021

Expected latest time for trading in  
the Shares on the Stock Exchange. . . . . 4:10 p.m. on Monday, 26 April 2021

**Hong Kong time**  
**(unless otherwise stated)**

Latest time for lodging transfers of  
Shares in order to qualify for  
entitlements under the Scheme and  
the Second Interim Dividend . . . . . 4:30 p.m. on Thursday, 6 May 2021

Closure of the register of  
members for determining the entitlements  
under the Scheme  
and the Second Interim Dividend<sup>(4)</sup> . . . . . from Friday, 7 May 2021 onwards

Scheme Record Date . . . . . Friday, 14 May 2021

Dividend Record Date . . . . . Friday, 14 May 2021

Court Hearing of the petition to  
the sanction of the Scheme . . . . . Friday, 14 May 2021  
*(Bermuda time)*

Announcement of (1) the results of the Court Hearing,  
(2) the expected Effective Date and (3) the expected  
date of the withdrawal of the listing of the Shares on  
the Stock Exchange, published on the Stock  
Exchange's website . . . . . on or before 8:30 a.m.  
on Monday, 17 May 2021

Effective Date<sup>(5)</sup> . . . . . Tuesday, 18 May 2021  
*(Bermuda time)*

Announcement of (1) the Effective Date and  
(2) the withdrawal of listing of Shares on  
the Stock Exchange, published on the  
Stock Exchange's website . . . . . no later than 8:30 a.m.  
on Thursday, 20 May 2021

Expected withdrawal of listing of Shares  
on the Stock Exchange . . . . . 4:00 p.m.  
on Thursday, 20 May 2021

Latest date to despatch:

- Cheques for payment of the Cancellation  
Price to the Disinterested Scheme  
Shareholders<sup>(6)</sup> . . . . . on or before Friday, 28 May 2021

**Hong Kong time  
(unless otherwise stated)**

Expected date to despatch:

- Cheques for payment of the Second Interim Dividend to the Shareholders<sup>(7)</sup> . . . . . on or before Friday, 28 May 2021

*Notes:*

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
- (2) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the SGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. If more than one proxy form for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the chairman of the Court Meeting shall have absolute discretion as to whether or not to accept those proxy forms. Completion and return of a form of proxy for the Court Meeting or the SGM will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he, she or it so wishes. In such event, the authority of your proxy will be deemed to be revoked.
- (3) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the SGM, the Court Meeting and the SGM will be postponed. The Company will post an announcement on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company to notify the members of the date, time and venue of the rescheduled meetings.
- (4) The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme and Shareholders, who are qualified for entitlements to the Second Interim Dividend.
- (5) The Scheme will become effective upon all the Conditions set out in the section headed "3. Conditions to the Proposal and the Scheme" in the Explanatory Statement in Part VI of this Scheme Document having been fulfilled or waived (as applicable). Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of listing of Shares will take place following the Scheme becoming effective on the Effective Date and it is expected that the listing of Shares will be withdrawn at 4:00 p.m. on Thursday, 20 May 2021. All of the Conditions will have to be fulfilled or waived (as applicable) on or before 30 September 2021 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

- (6) Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Somerley, Anglo Chinese and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.
- (7) The Second Interim Dividend is expected to be paid within 30 days of the Dividend Record Date to the Shareholders whose names appear on the register of members of the Company on the Dividend Record Date.





**HKC (HOLDINGS) LIMITED**  
**香港建設(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 190)**

*(website: www.hkcholdings.com)*

***Board of Directors:***

***Executive Directors:***

Mr. OEI Kang, Eric

*(Chairman and Chief Executive Officer)*

Mr. LEE Shiu Yee, Daniel

Mr. WONG Jake Leong, Sammy

Mr. LEUNG Wing Sum, Samuel

*(Chief Financial Officer)*

***Independent Non-executive Directors:***

Mr. CHENG Yuk Wo

Mr. Albert Thomas DA ROSA, Junior

Mr. VOON Hian-fook, David

***Registered Office:***

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

***Head Office and Principal Place  
of Business:***

9/F., Tower 1

South Seas Centre

75 Mody Road

Tsimshatsui East

Kowloon

Hong Kong

1 April 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF HKC (HOLDINGS) LIMITED  
BY  
GENESIS VENTURES LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA  
(2) PROPOSED DECLARATION OF SECOND INTERIM DIVIDEND  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF  
HKC (HOLDINGS) LIMITED**

**1. INTRODUCTION**

On 17 January 2021, the Offeror and the Company jointly announced that on 12 January 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act.

\* For identification purposes only

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable as well as to give you notices of the Court Meeting and the SGM (together with proxy forms in relation thereto). Your attention is drawn to the following sections of this Scheme Document: (i) the letter from the Independent Board Committee set out in Part IV; (ii) the letter from Anglo Chinese set out in Part V; (iii) the Explanatory Statement set out in Part VI; and (iv) the terms of the Scheme set out in Appendix IV to this Scheme Document.

## **2. TERMS OF THE PROPOSAL**

### **The Scheme**

If the Proposal is approved and implemented, all the Scheme Shares will be cancelled and extinguished in exchange for the Cancellation Price of HK\$8.00 in cash for every Scheme Share cancelled. Under the Scheme, the total consideration payable for the Scheme Shares will be payable 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\$8.00 per Scheme Share represents:

- (a) a premium of approximately 120.39% over the closing price of HK\$3.63 per Share or a premium of approximately 128.57% over the ex-Second Interim Dividend closing price of HK\$3.50 per Share, as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 122.22% over the average closing price of HK\$3.60 per Share or a premium of approximately 130.55% over the ex-Second Interim Dividend average closing price of HK\$3.47 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 119.78% over the average closing price of HK\$3.64 per Share or a premium of approximately 127.92% over the ex-Second Interim Dividend average closing price of HK\$3.51 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 109.42% over the average closing price of HK\$3.82 per Share or a premium of approximately 116.80% over the ex-Second Interim Dividend average closing price of HK\$3.69 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;

- (e) a premium of approximately 78.97% over the average closing price of HK\$4.47 per Share or a premium of approximately 84.33% over the ex-Second Interim Dividend average closing price of HK\$4.34 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 5.12% over the closing price of HK\$7.61 per Share or a premium of approximately 6.95% over the ex-Second Interim Dividend closing price of HK\$7.48 per Share, as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a discount of approximately 70.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.81 as at 31 December 2020 or a discount of approximately 70.0% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.68 as at 31 December 2020 (having excluded the Second Interim Dividend) or a discount of approximately 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend).

As stated in the Explanatory Statement in Part VI of this Scheme Document, the Cancellation Price has been determined after taking into account, among others, the prices and the discounts to NAV per Share at which the Shares have been traded on the Stock Exchange, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange. Shareholders are advised to read the Explanatory Statement in Part VI of this Scheme Document for further details.

### **3. FINANCIAL RESOURCES**

As at the Latest Practicable Date, the total issued share capital of the Company comprises 511,074,246 Shares. 147,149,308 Scheme Shares are currently in issue, representing approximately 28.79% of the issued share capital of the Company.

On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the maximum amount of cash consideration payable to effect the Proposal on the basis described above is approximately HK\$1.18 billion.

The Offeror intends to finance the cash required for the Proposal by its internal cash resources.

Somerley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

**4. CONDITIONS OF THE PROPOSAL**

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before 30 September 2021 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

For details of the Conditions, your attention is drawn to the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document.

**5. SECOND INTERIM DIVIDEND**

On 13 January 2021, the Board resolved to declare the payment to the Shareholders of the Second Interim Dividend of 13 HK cents per Share in lieu of a final dividend for the year ended 31 December 2020. The Second Interim Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on the Dividend Record Date. The Second Interim Dividend will be payable to the Shareholders within 30 days of the Dividend Record Date. The Second Interim Dividend is not conditional on the Proposal having become effective and will not be deducted from the Cancellation Price.

Apart from the Second Interim Dividend, the Company does not expect to declare any other dividend or other distribution on or before the Effective Date.

## 6. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective, assuming that there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>
<b>Offeror<sup>(1)</sup></b>	17,267,000	3.38%	164,416,308	32.17%
<b>Offeror Concert Parties</b>				
<i>Shares held not subject to Scheme</i>				
— Creator Holdings Limited <sup>(2)</sup>	203,445,407	39.81%	203,445,407	39.81%
— Genesis Capital Group Limited <sup>(2)</sup>	<u>143,212,531</u>	<u>28.02%</u>	<u>143,212,531</u>	<u>28.02%</u>
Sub-total	346,657,938	67.83%	346,657,938	67.83%
<i>Shares held subject to Scheme</i>				
— Mr. OEI and Mrs. OEI Valonia Lau <sup>(3)</sup>	11,154,987	2.18%	—	—
— Mr. OEI Tjie Goan <sup>(3)</sup>	11,834,513	2.32%	—	—
— Mr. LEE Shiu Yee, Daniel <sup>(4)</sup>	7,200	0.00%	—	—
— Mr. WONG Jake Leong, Sammy <sup>(4)</sup>	<u>6,986,269</u>	<u>1.37%</u>	<u>—</u>	<u>—</u>
Sub-total	29,982,969	5.87%	—	—
<b>Sub-total: Offeror and Offeror Concert Parties</b>	393,907,907	77.07%	511,074,246	100.00%
<b>Disinterested Scheme Shareholders</b>	<u>117,166,339</u>	<u>22.93%</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><b>511,074,246</b></u>	<u><b>100.00%</b></u>	<u><b>511,074,246</b></u>	<u><b>100.00%</b></u>

*Notes:*

- (1) The Offeror is ultimately beneficially owned as to 50% by Mr. OEI and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau.
- (2) Each of Creator Holdings Limited and Genesis Capital Group Limited is ultimately beneficially wholly-owned by Mr. OEI.
- (3) Mr. OEI and his wife, Mrs. OEI Valonia Lau, being the ultimate beneficial joint owners of the Offeror, are Offeror Concert Parties. Mr. OEI Tjie Goan is the father of Mr. OEI and is therefore deemed to be an Offeror Concert Party, and his Shares are held through a BVI company. The 22,989,500 Shares held by Mr. OEI and his wife, Mrs. OEI Valonia Lau, and Mr. OEI Tjie Goan will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (4) Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are Directors and are therefore deemed to be Offeror Concert Parties. The Shares held by Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (5) Due to rounding, the percentages may not add up to the total.

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

Your attention is drawn to the section headed “9. Reasons for and benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document.

**8. INFORMATION ON THE COMPANY AND THE OFFEROR****The Company**

The Company is an exempted company incorporated in Bermuda with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange (stock code: 190). The Group is principally engaged in the business of property development and investment mainly in the PRC. It also invests, through its 56.00% owned subsidiary, China Renewable Energy Investment Limited (stock code: 987), in renewable energy projects in the PRC.

**The Offeror**

The Offeror is a company incorporated in the BVI and is an investment holding company. The Offeror is ultimately beneficially owned as to 50% by Mr. OEI, who is the chairman and chief executive officer of the Company, and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau. The main assets of the Offeror are the Shares it holds in the Company as well as other listed investments.

The directors of the Offeror are Mr. OEI and Mrs. OEI Valonia Lau.



**9. INTENTIONS OF THE OFFEROR AND THE GROUP**

Your attention is drawn to the section headed “10. Intentions of the Offeror with regard to the Group” in the Explanatory Statement in Part VI of this Scheme Document.

**10. INDEPENDENT BOARD COMMITTEE**

The Board has established the Independent Board Committee, which comprises all the following independent non-executive Directors (except for Mr. CHENG Yuk Wo, who is also an independent non-executive director of Somerley Capital Holdings Limited (stock code: 8439), which is the holding company of Somerley, the financial adviser to the Offeror), namely, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David, who are not interested in the Proposal, to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and whether to vote in favour of the necessary resolutions to implement the Proposal at the SGM.

The full text of the letter from the Independent Board Committee is set out in the “Letter from the Independent Board Committee” in Part IV of this Scheme Document.

**11. INDEPENDENT FINANCIAL ADVISER**

The Company has appointed Anglo Chinese as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and as to voting. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in the “Letter from Anglo Chinese” in Part V of this Scheme Document.

**12. WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective, with effect from the Effective Date.

**13. IF THE PROPOSAL IS NOT APPROVED OR LAPSES**

The Scheme will lapse if any of the 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 or the Proposal otherwise lapses, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of Scheme Shares and assuming there is no change in the shareholding of the Company.

If the Scheme is not approved or the Proposal 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 the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, 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. Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme.

**14. COURT MEETING AND SGM**

Notices convening the Court Meeting and the SGM to be held at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out in Appendix V and Appendix VI to this Scheme Document.

The Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in Conditions (a) and (b) in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document. The Scheme must also be sanctioned by the Court as required by Section 99 of the Companies Act.

Immediately after the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (c) in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document.

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

#### **15. OVERSEAS SCHEME SHAREHOLDERS**

Your attention is drawn to the section headed “17. Overseas Scheme Shareholders” in the Explanatory Statement in Part VI of this Scheme Document.

#### **16. ACTIONS TO BE TAKEN**

Your attention is drawn to the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Shares are held by a Registered Owner, or as a Beneficial Owner whose Shares are deposited in CCASS.

#### **17. RECOMMENDATIONS**

Your attention is drawn to (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from Anglo Chinese in Part V of this Scheme Document which sets out the factors and reasons taken into account by Anglo Chinese in arriving at its advice to the Independent Board Committee.

#### **18. TAXATION AND INDEPENDENT ADVICE**

Your attention is drawn to the section headed “18. Taxation” of the Explanatory Statement in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Company, Somerley, Anglo Chinese nor any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Scheme. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

**19. FURTHER INFORMATION**

You are urged to read the whole of this Scheme Document, in particular:

- (i) the letter from the Independent Board Committee in Part IV of this Scheme Document;
- (ii) the letter from Anglo Chinese in Part V of this Scheme Document;
- (iii) the Explanatory Statement in Part VI of this Scheme Document;
- (iv) the Appendices to this Scheme Document;
- (v) the Scheme as set out in Appendix IV to this Scheme Document; and
- (vi) the notice of Court Meeting and the notice of SGM as set out in Appendix V and Appendix VI to this Scheme Document.

In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the SGM are enclosed with this Scheme Document.

**Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived (as applicable), and therefore the Proposal may or may not be implemented. 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.**

Yours faithfully,  
For and on behalf of  
**HKC (HOLDINGS) LIMITED**  
**LEUNG Wing Sum, Samuel**  
*Executive Director*



**HKC (HOLDINGS) LIMITED**  
**香港建設(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 190)**

*(website: [www.hkcholdings.com](http://www.hkcholdings.com))*

1 April 2021

*To the Disinterested Scheme Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF HKC (HOLDINGS) LIMITED  
BY  
GENESIS VENTURES LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA  
(2) PROPOSED DECLARATION OF SECOND INTERIM DIVIDEND  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF  
HKC (HOLDINGS) LIMITED**

We refer to the document dated 1 April 2021 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We, being all the independent non-executive Directors who are not interested in the Proposal, have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting.

Anglo Chinese Corporate Finance, Limited (“**Anglo Chinese**”) has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal and as to voting. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from Anglo Chinese” in Part V of the Scheme Document.

\* *For identification purposes only*

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

Accordingly, we recommend that:

- (i) the Disinterested Scheme Shareholders to vote **IN FAVOUR OF** the resolution to approve the Scheme at the Court Meeting; and
- (ii) the Shareholders to vote **IN FAVOUR OF** the special resolution to approve the implementation of the Proposal at the SGM.

We draw the attention of the Disinterested Scheme Shareholders to (1) the letter from the Board as set out in Part III of the Scheme Document; (2) the letter from Anglo Chinese, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee as set out in Part V of the Scheme Document; and (3) the Explanatory Statement as set out in Part VI of the Scheme Document.

Yours faithfully,

**Independent Board Committee**

**Mr. Albert Thomas DA ROSA, Junior**

*Independent Non-executive Director*

**Mr. VOON Hian-fook, David**

*Independent Non-executive Director*



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**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

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www.anglochinesegroup.com

英高  
財務顧問有限公司

The Independent Board Committee and  
the Disinterested Scheme Shareholders of  
HKC (Holdings) Limited

1 April 2021

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF HKC (HOLDINGS) LIMITED  
BY GENESIS VENTURES LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA; AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
HKC (HOLDINGS) LIMITED**

**I. INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Disinterested Scheme Shareholders in relation to the Proposal, and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. The terms defined in the Scheme Document of the Company dated 1 April 2021, of which this letter forms part, shall have the same meanings in this letter, unless the context otherwise requires.

The Independent Board Committee, which comprises all the following independent non-executive Directors (except for Mr. CHENG Yuk Wo, who is also an independent non-executive director of Somerley Capital Holdings Limited (stock code: 8439), which is the holding company of Somerley Capital Limited, the financial adviser to the Offeror), namely, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David, who are not interested in the Proposal, has been formed to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting.

In formulating our opinion and recommendations, we have reviewed, amongst other things, (i) published information on the Group and China Renewable Energy Investment Limited (“CREI”) (stock code: 987), including their audited annual financial statements for the three financial years, the last of which ended on 31 December 2020; (ii) the consolidated management accounts of the Group for the one month ended 31 January 2021; (iii) the cashflow projections of the Group for the year ending 31 December 2021 and the five months ending 31 May 2022; (iv) the information in the Scheme Document; and (v) the past performance of the Shares. We consider the information we have reviewed is sufficient to

reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company, and have been advised by the Directors that, to the best of their knowledge, no material information has been omitted or withheld from the information supplied to us or the information relating to the Company referred to in the Scheme Document. We have relied on the information so provided to us and referred to in the Joint Announcement and the Scheme Document, and we have not verified it or conducted an independent investigation into the business and affairs of the Group.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group, CREI or any of their associates. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company, CREI or any other parties that could reasonably be regarded as relevant to our independence. In the two years prior to the Latest Practicable Date, we have not previously acted as the independent financial adviser to the Company's and CREI's other transactions. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## **II. BACKGROUND OF THE PROPOSAL**

On 17 January 2021, the Offeror and the Company jointly announced that on 12 January 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act.

### **Principal terms of the Proposal**

If the Proposal is approved and implemented on the Effective Date:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished in exchange for the payment of the Cancellation Price of HK\$8.00 in cash for each Scheme Share cancelled;
- (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit amount arising in the books of account of the Company as a result of the aforesaid reduction of issued share capital of the Company in paying up in full at par such number of new Shares (credited as full-paid) as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued to the Offeror; and
- (c) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

### **Cancellation Price**

Under the Proposal, the Scheme will provide that the Scheme Shares be cancelled in exchange for the payment to the Scheme Shareholders of HK\$8.00 in cash for each Scheme Share.

The Cancellation Price has been determined after taking into account, among others, the prices, and the discounts to NAV per Share at which the Shares have been traded on the Stock Exchange, and pricing premiums for recent privatisation transactions of companies listed on the Stock Exchange. Please refer to the following sections for our detailed discussion and analysis.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives, convertible securities, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

### **No price increase statement**

As stated in the section headed “PART III. LETTER FROM THE BOARD — 2. TERMS OF THE PROPOSAL — The Scheme” in the Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

## **III. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before 30 September 2021 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

The main Conditions include, amongst others, (i) the approval of the Scheme by the Disinterested Scheme Shareholders; (ii) the sanction of the Scheme by the Court; (iii) compliance with relevant regulatory requirements; (iv) all Authorisations having been obtained or made; (v) all Authorisations remaining in full force and effect without variation; and (vi) all necessary consents in connection with the Proposal and the withdrawal of listing of Shares which may be required are being obtained and remaining effect. Please refer to the section headed “PART VI. EXPLANATORY STATEMENT — 3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Scheme Document for further details of the Conditions.

## **IV. THE SECOND INTERIM DIVIDEND**

On 13 January 2021, the Board resolved to declare the payment to the Shareholders a Second Interim Dividend of 13 HK cents per Share in lieu of a final dividend for the year ended 31 December 2020. The Second Interim Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on the Dividend Record Date. The Second Interim Dividend will be payable to the Shareholders within 30 days of the Dividend Record Date.

**The Second Interim Dividend is not conditional on the Proposal having become effective and will not be deducted from the Cancellation Price.**

If, after the publication of Joint Announcement, any dividend or other distribution (other than the Second Interim Dividend) is made or paid in respect of the Scheme Shares, the Cancellation Price will be reduced by an amount equal to the amount of such dividend or other distribution. However, the Company does not expect to declare any dividend or other distribution (other than the Second Interim Dividend) on or before the Effective Date.

## V. BACKGROUND OF THE GROUP AND THE OFFEROR

### Information of the Group

The Group is principally engaged in the business of property development and investment mainly in the PRC. It has a diversified property portfolio model with investments in both residential projects for sale and commercial projects mainly for rental income. The residential projects are currently located in Tianjin, Jiangmen, and Shenyang, while the Group's commercial projects, which are primarily office buildings and retail malls, are in the prime business areas in Shanghai, Shenzhen, Beijing, and Guangzhou. The Group also has a commercial property in Nanxun city of Zhejiang province.

Set out below is a summary of the Group's key property investment and development portfolio as at 31 December 2020:

#### (i) *Investment properties*

Location	Project	Purpose(s)	Attributable interest	Attributable gross floor area ("GFA") as at 31 December 2020 (square meter "sq. m.")	Rental income for the year ended 31 December 2020 (HK\$ million)
Shanghai	Shanghai Landmark Center	Offices and shops	60%	114,600	110.1
	Sinar Mas Plaza	Offices, shops, and hotel	25%	63,250	178.5
Huzhou, Zhejiang province	Construction Materials Market	Shops	100%	120,000	40.8
Guangzhou, Guangdong province	CITIC Plaza	Shops and residential	40%	14,100	29.5
Beijing	—	Shops	80.4%	13,700	31.6
Shenzhen, Guangdong province	Di Wang Commercial Centre	Offices and shops	100%	31,000	51.3
	South Ocean Centre	Shops	100%	6,300	16.1

*(ii) Properties held for sale*

Location	Project	Purpose(s)	Attributable interest	Attributable GFA as at 31 December 2020 (sq. m.)	Attributable GFA remain unsold as at 31 December 2020 (sq. m.)	Contracted sales for the year ended 31 December 2020 (RMB million)
Tianjin	Tianjin Eka Garden	Residential	100%	150,000	7,200	118.1
Jiangmen, Guangdong province	Jiangmen Eka Garden	Residential and shops	100%	189,000	17,400	118.8
Shenyang, Liaoning province	Shenyang Eka Garden	Residential and shops	100%	189,000	11,700	259.2
Huzhou City, Zhejiang province	Construction Materials Market	Shops	100%	83,000	24,100	Nil

*(iii) Properties under development — for sale*

Location	Project	Purpose(s)	Attributable interest	GFA (sq. m.)	Stage of completion
Tianjin	Tuanbo Lake, Jinhai County	Residential	100%	836,000	Obtaining regulatory approval for master planning
Shenyang, Liaoning province	Ningpo Road, Heping District	Residential and shops	100%	75,000	Expected completion by the end of 2024

*Source: Annual results announcement and information provided by the Company*

The Group also invests, through its 56.00% owned subsidiary, CREI (stock code: 987), in renewable energy projects in the PRC. CREI's main business is acting as an investor-operator in China's renewable energy sector, in which it secures, develops, constructs, and operates power stations in order to provide reliable electricity to customers. As at 31 December 2020, CREI operates eight wind farms and one distributed solar project under operation, namely the Mudanjiang and Muling wind farms, Siziwang Qi Phase I and Phase II wind farms, Danjinghe wind farm, Changma wind farm, Lunaobao wind farm, Songxian wind farm, and the Nanxun distributed solar project. As at 31 December 2020, CREI recorded a total gross power generating capacity of 738 Mega-Watt ("MW"), and produced a total electricity generation of 1,354.6 Giga-Watt-hours ("GWh") for the year ended 31 December 2020.

As at 31 December 2020, the PRC had an aggregate total of 282 Giga-Watt (“GW”) wind power capacity and 253 GW solar power capacity installed, with an increase of approximately 34% and 23%, respectively as compared to the capacity installed as at 31 December 2019. Total wind power output and solar power output for 2020 increased by approximately 15% and 16% as compared to 2019, to 466,500 GWh and 260,500 GWh, respectively. The total wind power output and solar power output accounted for 6% and 3% of total power generation across the PRC, respectively.

Set out below is a summary of CREI’s key renewable energy projects as at 31 December 2020:

Power station	Power type	Location	Total gross power generating capacity	Power despatched for year ended 31 December 2020	Description
Mudanjiang and Muling wind farms	Wind	Heilongjiang province	59.5MW	68.7GWh	The Mudanjiang and Muling wind farms started commercial operation in the fourth quarter of 2007, in which CREI holds majority stakes of 86% and 86.7%, respectively.
Siziwang Qi Phase I and II wind farms	Wind	Western Inner Mongolia	99.0MW	184.1GWh	Commercial operation of the Siziwang Qi Phase I and II wind farms started in January 2011 and January 2015, respectively. These wind farms are the first two phases of a strategic 1,000MW wind farm base for CREI.
Danjinghe wind farm	Wind	Hebei province	200.0MW	381.8GWh	CREI has a 40% effective equity interest in the Danjinghe wind farm which commenced commercial operation in September 2010. The majority and controlling shareholder of the Danjinghe wind farm is the wind power division of China Energy Conservation and Environmental Protection Group (“CECEP”).
Changma wind farm	Wind	Gansu province	201.0MW	401.7GWh	CREI has a 40% effective equity interest in the Changma wind farm which is a joint venture with CECEP, and started commercial operation in November 2010.
Lunaobao wind farm	Wind	Hebei province	100.5MW	190.6GWh	The Lunaobao wind farm is a joint venture with CECEP and is adjacent to the Danjinghe wind farm. CREI has a 30% effective equity interest in the Lunaobao wind farm which started commercial operation in February 2011.

Power station	Power type	Location	Total gross power generating capacity	Power despatched for year ended 31 December 2020	Description
Songxian wind farm	Wind	Henan province	74.0MW	123.2GWh	The Songxian wind farm is wholly owned by the Group. The first 36MW wind power capacity commenced commercial operation in February 2019, and the whole project commenced full operation starting from May 2020.
Nanxun distributed solar project	Solar	Zhejiang province	4 MW peak	4.5GWh	Nanxun distributed solar project is the CREI's first wholly owned distributed rooftop solar project. The solar project was installed over 60,000 square meters of rooftops on Nanxun International Building Materials City, a commercial complex owned by the Group. Power generated from this solar project is sold to Nanxun International Building Materials City and any excess power is sold to the local grid company. The project commenced commercial operation in March 2018.
<b>Total</b>			<b>738.0MW</b>	<b>1,354.6GWh</b>	

*Sources: Annual reports, or annual results announcements of the Company and CREI*

**Business and financial performance of the Group**

The tabulation below illustrates the breakdown of the Group's principal sources of revenue and profits for each of the three financial years ended 31 December 2020:

**Table 1 — Summary of the financial results of the Group  
for the three financial years ended 31 December 2020**

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	(audited)	(audited)	(audited)
	(HK\$ million)	(HK\$ million)	(HK\$ million)
<b>Total revenue</b>	<b>1,270.0</b>	<b>1,036.9</b>	<b>1,184.0</b>
— <i>Properties development</i>	782.5	497.7	644.5
— <i>Property investment and leasing</i>	338.0	358.0	333.4
— <i>Renewable energy</i>	149.5	181.2	206.1
Cost of sales	(629.2)	(354.5)	(521.8)
<b>Gross Profit</b>	<b>640.8</b>	<b>682.4</b>	<b>662.2</b>
<i>Gross profit margin</i>	50.5%	65.8%	55.9%
Other income <i>(Note 1)</i>	135.2	120.7	235.6
Fair value adjustments on investment properties	696.5	91.9	(98.4)
Selling and distribution, administrative, and other and general expenses	(234.9)	(251.3)	(329.8)
Net finance income/(costs)	8.4	(120.4)	(159.6)
Share of results <i>(Note 2)</i>	23.5	(69.5)	3.0
<b>Profit before tax</b>	<b>1,269.5</b>	<b>453.8</b>	<b>313.0</b>
Income tax expense	(312.3)	(76.3)	(71.4)
<b>Profit for the year</b>	<b>957.2</b>	<b>377.5</b>	<b>241.6</b>
<b>Profit attributable to the equity holders of the Company</b>	<b>734.1</b>	<b>278.7</b>	<b>202.3</b>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic <i>(HK cents)</i>	138.8	52.8	39.5
Diluted <i>(HK cents)</i>	138.3	52.0	39.3

Sources: Annual reports, or annual results announcement of the Company for the relevant years



*Notes:*

- (1) Other income includes property management fee income; rental income generated from properties held for sale; net gain or loss on disposal of property, plant and equipment; net fair value gain or loss on financial assets at fair value through profit or loss; dividend income from financial assets at fair value through profit or loss; net exchange gain; government subsidies, net gain on liquidation of subsidiaries; compensation income claimed and received from an insurance company for a project completed in prior year, and others.
- (2) Share of results include share of results of associates and a joint venture.

***For the financial year ended 31 December 2020 compared to 2019******— Revenue***

The total revenue for the Group increased by approximately 14.2% from approximately HK\$1,036.9 million for the year ended 31 December 2019 to approximately HK\$1,184.0 million for the year ended 31 December 2020. This was mainly due to the increase of revenue from the residential sales and renewable energy segments which were partially offset by the decrease of revenue from the property investment and leasing segment.

**Property investment and leasing segment**

The revenue from the property investment and leasing segment decreased by approximately 6.9% to approximately HK\$333.4 million for the year ended 31 December 2020 from HK\$358.0 million for the year ended 31 December 2019, which was mainly attributable to the rent concessions granted by Group and decreased lease rates and occupancy rates of the Group's commercial properties as demand for offices and retail space dropped given reduced business activity, reduced foot traffic at malls, the government's encouragement for office workers to work at home as a result of the Coronavirus Disease 2019 ("COVID-19") and oversupply of office properties. U.S.-China tensions also adversely impacted business activity.

**Properties development**

The Group recorded total revenue from property development segment of HK\$644.5 million for the year ended 31 December 2020, comprising of revenue from Shenyang, Tianjin and Jiangmen of approximately HK\$258.6 million, HK\$230.0 million and HK\$155.9 million, respectively. This represented an increase of approximately 29.5% as compared to the total revenue from property development segment of HK\$497.7 million for the year ended 31 December 2019, comprising of revenue from Shenyang, Tianjin and Jiangmen of approximately HK\$187.2 million, HK\$249.8 million and HK\$60.7 million, respectively.

Owing to the overall improvement in the market environment of Shenyang during 2020, contracted sales increased by approximately 82.4% from approximately RMB142.1 million (equivalent to approximately HK\$159.2

million) for the year ended 31 December 2019 to approximately RMB259.2 million (equivalent to approximately HK\$308.6 million) for the year ended 31 December 2020.

Contracted sales in Tianjin decreased by approximately 62.3% from approximately RMB313.3 million (equivalent to approximately HK\$350.9 million) for the year ended 31 December 2019 to approximately RMB118.1 million (equivalent to approximately HK\$140.5 million) for the year ended 31 December 2020, as much of the Group's inventory, the Tianjin Eka Garden, in Tianjin had been sold.

Contracted sales in Jiangmen increased by approximately 65.9% from approximately RMB71.6 million (equivalent to approximately HK\$80.2 million) for the year ended 31 December 2019 to approximately RMB118.8 million (equivalent to approximately HK\$141.4 million) for the year ended 31 December 2020. The Group sold 33 villas compared to 21 villas in 2019. Most of the units in Jiangmen have been completely sold out, and only car parks and some commercial space are still available.

#### Renewable energy

CREI's revenue, being revenue from the Group's renewable energy segment, increased by approximately 13.7% to HK\$206.1 million for the year ended 31 December 2020 as compared to HK\$181.2 million for the year ended 31 December 2019, which was mainly due to the overall poor wind resources in the Heilongjiang region in 2020 which adversely affected the performance of CREI's Mudanjiang and Muling wind farms. However, such the negative impact was offset by new contributions from the fully operational Songxian wind farm located in Henan province.

#### — *Gross profit*

The gross profit for the Group decreased by approximately 3.0% from approximately HK\$682.4 million for the year ended 31 December 2019 to approximately HK\$662.2 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease of revenue from the property investment and leasing segment which normally has a higher margin.

#### — *Profit attributable to the equity holders*

The profit attributable to the equity holders decreased by approximately 27.4% from approximately HK\$278.7 million for the year ended 31 December 2019 to approximately HK\$202.3 million for the year ended 31 December 2020. The decrease was mainly due to net effect of (i) an increase of other income to HK\$235.6 million as compared to the HK\$120.7 million for 2019 as a result of an increase in fair value gain and dividend income from financial assets and the differences in currency translation; (ii) a revaluation loss on its investment properties of HK\$98.4 million as compared to a HK\$91.9 million in gains recorded for 2019; and (iii) an increase of other and general

expenses to HK\$153.3 million as compared to the HK\$66.7 million accrued for 2019. As advised by the management of the Company, the increase of other and general expenses was mainly attributable to the provision to contingent liability arising in a housing facility fund pursuant to the “Administrative Regulations of Shenzhen Special Economic Zone on Management of Property of Residential Quarters”\* (深圳經濟特區住宅區物業管理條例).

***For the financial year ended 31 December 2019 compared to 2018***

— *Revenue*

The total revenue for the Group decreased by approximately 18.4% from approximately HK\$1,270.0 million for the year ended 31 December 2018 to approximately HK\$1,036.9 million for the year ended 31 December 2019. This was mainly due to the decline of revenue from the property development segment, which decreased by approximately 36.4% from approximately HK\$782.5 million for the year ended 31 December 2018 to approximately HK\$497.7 million for the year ended 31 December 2019, given a much smaller inventory of residential units available for sale and a tepid market environment.

Property investment and leasing segment

The revenue from the property investment and leasing segment increased by approximately 5.9% to approximately HK\$358.0 million for the year ended 31 December 2019 from HK\$338.0 million for the year ended 31 December 2018, which was mainly attributable to the increased leasing revenue from the newly opened Landmark Center in Shanghai.

Properties development

The Group recorded total revenue from property development segment of HK\$497.7 million for the year ended 31 December 2019, comprising of revenue from Shenyang, Tianjin and Jiangmen of approximately HK\$187.2 million, HK\$249.8 million and HK\$60.7 million, respectively. This represented an decrease of 36.4% as compared to the total revenue from property development segment of HK\$782.5 million for the year ended 31 December 2018, comprising of revenue from Shenyang, Tianjin, Jiangmen and Zhejiang of approximately HK\$348.0 million, HK\$344.0 million, HK\$87.1 million and HK\$3.4 million, respectively. This was mainly due to poor market sentiment, particularly during the first half of the year given a slowing economy, turmoil from the U.S.-China trade war, and government efforts to control property speculation.

Contracted sales in Shenyang declined by approximately 40.6% from approximately RMB239.2 million (equivalent to approximately HK\$272.7 million) for the year ended 31 December 2018 to approximately RMB142.1 million (equivalent to approximately HK\$159.2 million) for the year ended 31 December 2019. Sales were lower primarily because most of the Group’s inventory had already been sold and consisted mainly of higher-priced villas.

Contracted sales in Tianjin increased by approximately 47.9% from approximately RMB211.8 million (equivalent to approximately HK\$241.5 million) for the year ended 31 December 2018 to approximately RMB313.3 million (equivalent to approximately HK\$350.9 million) for the year ended 31 December 2019, which was mainly due to the increased sales of its service apartments.

Contracted sales in Jiangmen declined by approximately 3.6% from approximately RMB74.3 million (equivalent to approximately HK\$84.7 million) for the year ended 31 December 2018 to approximately RMB71.6 million (equivalent to approximately HK\$80.2 million) for the year ended 31 December 2019. Similar to Shenyang, sales were lower primarily because most of the Group's inventory had already been sold and consisted mainly of higher-priced villas.

#### Renewable energy

Revenue from the Group's renewable energy segment, increased by approximately 21.2% to HK\$181.2 million for the year ended 31 December 2019 as compared to HK\$149.5 million for the year ended 31 December 2018, which was mainly due to the lower overall curtailment and new contributions from the Henan Songxian 74 MW wind project (the Songxian wind farm).

#### — *Gross profit*

The gross profit for the Group increased by approximately 6.5% from approximately HK\$640.8 million for the year ended 31 December 2018 to approximately HK\$682.4 million for the year ended 31 December 2019. Such increase was mainly due to (i) the increase in revenue generated from leasing segment with higher margin; (ii) the reversal of construction cost accruals for residential properties sold in previous years of approximately HK\$97.4 million which resulted after the Group negotiated the final construction costs with the main contractors of the completed residential projects; and (iii) the increased gross profit for the Group's renewable energy segment by approximately 32.2% to approximately HK\$68.6 million for the year ended 31 December 2019 when compared to approximately HK\$51.9 million for the year ended 31 December 2018.

#### — *Profit attributable to the equity holders*

The profit attributable to the equity holders decreased by approximately 62.0% from approximately HK\$734.1 million for the year ended 31 December 2018 to approximately HK\$278.7 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in revaluation gains, which decreased by approximately 86.8% from approximately HK\$696.5 million for the year ended 31 December 2018, primarily from the completion of the Shanghai Landmark Center, to approximately HK\$91.9 million for the year ended 31 December 2019, as well as the decreased residential sales as mentioned above and increased finance costs given interest was no longer capitalised with the completion of the Group's Shanghai commercial buildings.

The tabulation below summarises the financial position of the Group as at 31 December 2018, 2019 and 2020:

**Table 2 — Financial positions of the Group**

	As at 31 December		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	(audited)	(audited)	(audited)
	(HK\$ million)	(HK\$ million)	(HK\$ million)
<b>Non-Current Assets</b>			
Investment properties	12,344.9	11,980.4	12,631.9
Prepaid land lease payments	1,472.1	—	—
Right-of-use assets	—	1,455.0	1,524.2
Property, plant, and equipment including construction in progress and other property, plant and equipment	1,230.7	1,328.0	1,372.0
Properties under development	555.6	549.1	451.8
Interests in associates and a joint venture	2,837.0	2,646.7	2,725.9
Others <i>(Note 1)</i>	107.1	379.0	2,121.1
<b>Sub-total</b>	<b>18,547.4</b>	<b>18,338.2</b>	<b>20,826.9</b>
<b>Current Assets</b>			
Inventories	6.7	6.6	12.9
Properties under development	—	126.5	—
Properties held for sale	919.9	593.5	374.9
Financial assets at fair value through profit or loss	—	—	243.7
Trade and other receivables	369.4	474.7	645.7
Restricted cash	478.9	200.1	88.5
Short-term bank deposits	712.3	—	—
Cash and cash equivalents	1,889.6	2,293.5	1,078.7
<b>Sub-total</b>	<b>4,376.8</b>	<b>3,694.9</b>	<b>2,444.4</b>
<b>Total Assets</b>	<b>22,924.2</b>	<b>22,033.1</b>	<b>23,271.3</b>

	As at 31 December		
	2018	2019	2020
	(audited)	(audited)	(audited)
	(HK\$ million)	(HK\$ million)	(HK\$ million)
<b>Non-current Liabilities</b>			
Borrowings	2,768.3	2,559.6	2,335.1
Lease liabilities	—	8.0	—
Deferred income tax liabilities	1,882.4	1,829.2	1,916.2
<b>Sub-total</b>	<b>4,650.7</b>	<b>4,396.8</b>	<b>4,251.3</b>
<b>Current Liabilities</b>			
Trade and other payables	1,474.3	1,100.6	1,023.3
Borrowings	477.0	408.3	967.1
Lease liabilities	—	22.7	0.2
Amount due to a shareholder	197.5	197.7	196.9
Current income tax liabilities	170.3	172.6	123.4
<b>Sub-total</b>	<b>2,319.1</b>	<b>1,901.9</b>	<b>2,310.9</b>
<b>Total Liabilities</b>	<b>6,969.8</b>	<b>6,298.7</b>	<b>6,562.2</b>
<b>Total Equity</b>			
Equity attributable to equity holders of the Company	13,202.2	12,951.2	13,701.4
Non-controlling interests	2,752.2	2,783.2	3,007.7
<b>Sub-total</b>	<b>15,954.4</b>	<b>15,734.4</b>	<b>16,709.1</b>
<b>Gearing ratio (%)</b> <i>(Note 2)</i>	<b>21.6%</b>	<b>20.1%</b>	<b>20.9%</b>

Sources: Annual reports, or annual results announcement of the Company for the relevant years

Notes:

- (1) Others include (i) intangible assets; (ii) financial assets at fair value through other comprehensive income; (iii) financial assets at fair value through profit or loss; (iv) prepayments and other receivables; and (v) deferred income tax assets.
- (2) The gearing ratio is calculated as the total borrowings plus the amount due to a Shareholder divided by total equity.

— *Total assets*

As at 31 December 2020, the Group recorded total assets of approximately HK\$23,271.3 million which primarily consisted of (i) investment properties; (ii) property, plant and equipment; (iii) right-of-use assets; (iv) interests in associates and a joint venture; (v) financial assets at fair value through profit or loss; and (vi) cash and cash equivalents.

Investment properties of approximately HK\$12,631.9 million as at 31 December 2020, which consisted primarily of office buildings and retail malls for lease located in prime business areas in Shanghai, Shenzhen, Beijing and Guangzhou. The Group also has a commercial property in Nanxun, Zhejiang Province. The investment properties create steady recurring income and cash flow as well as long term capital appreciation, and are relatively immune from the periodic restrictions on residential properties.

The Group's property, plant and equipment increased by approximately 3.3% from approximately HK\$1,328.0 million as at 31 December 2019 to approximately HK\$1,372.0 million as at 31 December 2020, mainly due to the differences in additions, the currency translation and depreciation.

The Group's right-of-use assets increased by approximately 4.8% from approximately HK\$1,455.0 million as at 30 December 2019 to approximately HK\$1,524.2 million as at 31 December 2020, mainly due to the differences in currency translation, and depreciation and amortisation.

The Group's interests in a joint venture and associates increased by approximately 3.0% from approximately HK\$2,646.7 million as at 30 December 2019 to approximately HK\$2,725.9 million as at 31 December 2020 due to the appreciation of RMB in 2020 as the joint venture and associates the Group has interests in are all based in the PRC and denominated in RMB.

The Group's interests in financial assets at fair value through profit or loss, comprising of its current portion and non-current portion, increased by approximately 658.4% from approximately HK\$300.8 million as at 30 December 2019 to approximately HK\$2,281.4 million as at 31 December 2020, due to the addition in and fair value gain from investments in the listed securities by the Group.

As at 31 December 2020, the cash and cash equivalents were approximately HK\$1,078.7 million with no short-term bank deposits.

— *Total liabilities*

The Group's total liabilities of approximately HK\$6,562.2 million as at 31 December 2020 were primarily represented by borrowings, deferred income tax liabilities and trade and other payables. As at 31 December 2020, the Group's total borrowings and amount due to a Shareholder consisted of debts denominated in Hong Kong dollars and Renminbi, including Hong Kong Dollar borrowings of approximately HK\$813.4 million as at 31 December 2020 and Renminbi borrowings



that are equivalent to approximately HK\$2,685.7 million. The Group's total borrowings and amount due to a Shareholder increased by approximately 10.5% from approximately HK\$3,165.6 million as at 31 December 2019 to approximately HK\$3,499.1 million as at 31 December 2020, of which approximately HK\$1,164.0 million was repayable within one year or on demand, approximately HK\$2,115.9 million within two to five years, and approximately HK\$219.2 million repayable after five years. Further, the Group had charged certain assets worth approximately HK\$12,168.9 million as security for bank borrowings as at 31 December 2020.

— *Gearing Ratio*

The Group's gearing ratio increased slightly from approximately 20.1% as at 31 December 2019 to approximately 20.9% as at 31 December 2020, while the Group's net debt to equity ratio, defined by total borrowings plus amount due to a Shareholder minus cash and divided by total equity, was approximately 14.0% as at 31 December 2020, compared with approximately 4.3% as at 31 December 2019. The increase was mainly due to the acquisition of financial assets, mainly the listed securities, which resulted in the decrease in the cash and cash equivalents.

**Information of the Offeror**

The Offeror is a company incorporated in the BVI and is an investment holding company. The Offeror is ultimately beneficially owned as to 50% by Mr. OEI, who is the chairman and chief executive officer of the Company, and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau. The directors of the Offeror are Mr. OEI and Mrs. OEI Valonia Lau.

The main assets of the Offeror are the Shares it holds in the Company as well as other listed investments.

**Shareholding structure**

As at the Latest Practicable Date, (i) the Offeror held 17,267,000 Shares, representing approximately 3.38% of the issued share capital of the Company; and (ii) Creator Holdings Limited and Genesis Capital Group Limited, being Offeror Concert Parties, which are ultimately beneficially wholly-owned by Mr. OEI, held 346,657,938 Shares, representing approximately 67.83% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares.

As at the Latest Practicable Date, Mr. OEI and his wife, Mrs. OEI Valonia Lau, being the ultimate beneficial joint owners of the Offeror, are Offeror Concert Parties. Mr. OEI Tjie Goan is the father of Mr. OEI and is therefore deemed to be an Offeror Concert Party, and his Shares are held through a BVI company. Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are Directors and are therefore deemed to be Offeror Concert Parties. The Shares (i.e. 29,982,969 Shares in aggregate, representing approximately 5.87% of the issued share capital of the Company) held by Mr. OEI and his wife, Mrs. OEI Valonia Lau, Mr. OEI Tjie Goan, Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy will form part of the Scheme Shares.



The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective, assuming that there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
<b>Offeror</b> <i>(Note 1)</i>	17,267,000	3.38%	164,416,308	32.17%
<b>Offeror Concert Parties</b>				
<i>Shares held not subject to Scheme</i>				
— Creator Holdings Limited <i>(Note 2)</i>	203,445,407	39.81%	203,445,407	39.81%
— Genesis Capital Group Limited <i>(Note 2)</i>	143,212,531	28.02%	143,212,531	28.02%
<b>Sub-total</b>	<b>346,657,938</b>	<b>67.83%</b>	<b>346,657,938</b>	<b>67.83%</b>
<i>Shares held subject to Scheme</i>				
— Mr. OEI and Mrs. OEI Valonia Lau <i>(Note 3)</i>	11,154,987	2.18%	—	—
— Mr. OEI Tjie Goan <i>(Note 3)</i>	11,834,513	2.32%	—	—
— Mr. LEE Shiu Yee, Daniel <i>(Note 4)</i>	7,200	0.00%	—	—
— Mr. WONG Jake Leong, Sammy <i>(Note 4)</i>	6,986,269	1.37%	—	—
<b>Sub-total</b>	<b>29,982,969</b>	<b>5.87%</b>	<b>—</b>	<b>—</b>
<b>Sub-total: Offeror and Offeror Concert Parties</b>	<b>393,907,907</b>	<b>77.07%</b>	<b>511,074,246</b>	<b>100.00%</b>
<b>Disinterested Scheme Shareholders</b>	<b>117,166,339</b>	<b>22.93%</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>511,074,246</b>	<b>100.00%</b>	<b>511,074,246</b>	<b>100.00%</b>

Notes:

- (1) The Offeror is ultimately beneficially owned as to 50% by Mr. OEI and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau.
- (2) Each of Creator Holdings Limited and Genesis Capital Group Limited is ultimately beneficially wholly-owned by Mr. OEI.
- (3) Mr. OEI and his wife, Mrs. OEI Valonia Lau, being the ultimate beneficial joint owners of the Offeror, are Offeror Concert Parties. Mr. OEI Tjie Goan is the father of Mr. OEI and is therefore deemed to be an Offeror Concert Party, and his Shares are held through a BVI company. The 22,989,500 Shares held by Mr. OEI and his wife, Mrs. OEI Valonia Lau, and Mr. OEI Tjie Goan will form part of the Scheme Shares, and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.

- (4) Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are Directors, and are therefore deemed to be Offeror Concert Parties. The Shares held by Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (5) Due to rounding, the percentages may not add up to the total.

## VI. BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION

We have considered the following factors in arriving at our recommendations regarding the terms of the Proposal:

### **Reasons for, and benefits of, the Proposal**

As stated in the section headed “PART VI. EXPLANATORY STATEMENT — 9. REASONS FOR AND BENEFITS OF THE PROPOSAL”, the Proposal mainly aims to (i) provide the Scheme Shareholders with an attractive opportunity to monetise their investment in the Company at a price with a compelling premium; and (ii) provide the Company a proposal to facilitate flexibility in formulating long-term business development strategy and reducing costs incurred from maintaining a listing platform with a limited fund-raising function.

#### ***(a) Considering the sluggish Share price and low liquidity in the absence of Share acquisitions by the Offeror and the Offeror Concert Parties or Share buybacks by the Company***

As advised by the management of the Company and discussed in the section headed “LETTER FROM THE OFFEROR”, the ultimate beneficial owners of the Offeror, being also the controlling Shareholders, have shown commitment and support to the Company through acquisition of Shares, both on market and off market, throughout the past decade. Recently, the Company has conducted the Share buybacks in the market between September 2019 and January 2020, which utilised a portion of its surplus cash resources with a view to support the Company’s value as well as the Shareholders’ investment. Nevertheless, owing to the constraints to maintain the minimal public float, further significant size Share buybacks by the Company or purchases in the market by the Offeror and the Offeror Concert Parties are unlikely, and therefore this might remove a significant source of liquidity for the Shares.

As a result, the Offeror considers the Proposal will provide Scheme Shareholders with an attractive opportunity to realise their investment in the Company at a premium over the prevailing price of the Shares. The Cancellation Price of HK\$8.00 per Scheme Share represents:

- a premium of approximately 120.39% over the closing price of HK\$3.63 per Share or a premium of approximately 128.57% over the ex-Second Interim Dividend closing price of HK\$3.50 per Share, as quoted on the Stock Exchange on the Last Trading Date;

- a premium of approximately 122.22% over the average closing price of HK\$3.60 per Share or a premium of approximately 130.55% over the ex-Second Interim Dividend average closing price of HK\$3.47 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
  - a premium of approximately 119.78% over the average closing price of HK\$3.64 per Share or a premium of approximately 127.92% over the ex-Second Interim Dividend average closing price of HK\$3.51 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
  - a premium of approximately 109.42% over the average closing price of HK\$3.82 per Share or a premium of approximately 116.80% over the ex-Second Interim Dividend average closing price of HK\$3.69 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
  - a premium of approximately 78.97% over the average closing price of HK\$4.47 per Share or a premium of approximately 84.33% over the ex-Second Interim Dividend average closing price of HK\$4.34 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
  - a discount of approximately 70.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.81 as at 31 December 2020 or a discount of approximately 70.0% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.68 as at 31 December 2020 (having excluded the Second Interim Dividend) or a discount of approximately 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend); and
  - a premium of approximately 5.12% over the closing price of HK\$7.61 per Share or a premium of approximately 6.95% over the ex-Second Interim Dividend closing price of HK\$7.48 per Share, as quoted on the Stock Exchange on the Latest Practicable Date.
- *Historical Share price performance, Share buybacks by the Company and Share acquisition by an Offeror Concert Party*

In assessing the reasonableness of the Cancellation Price, we have considered:

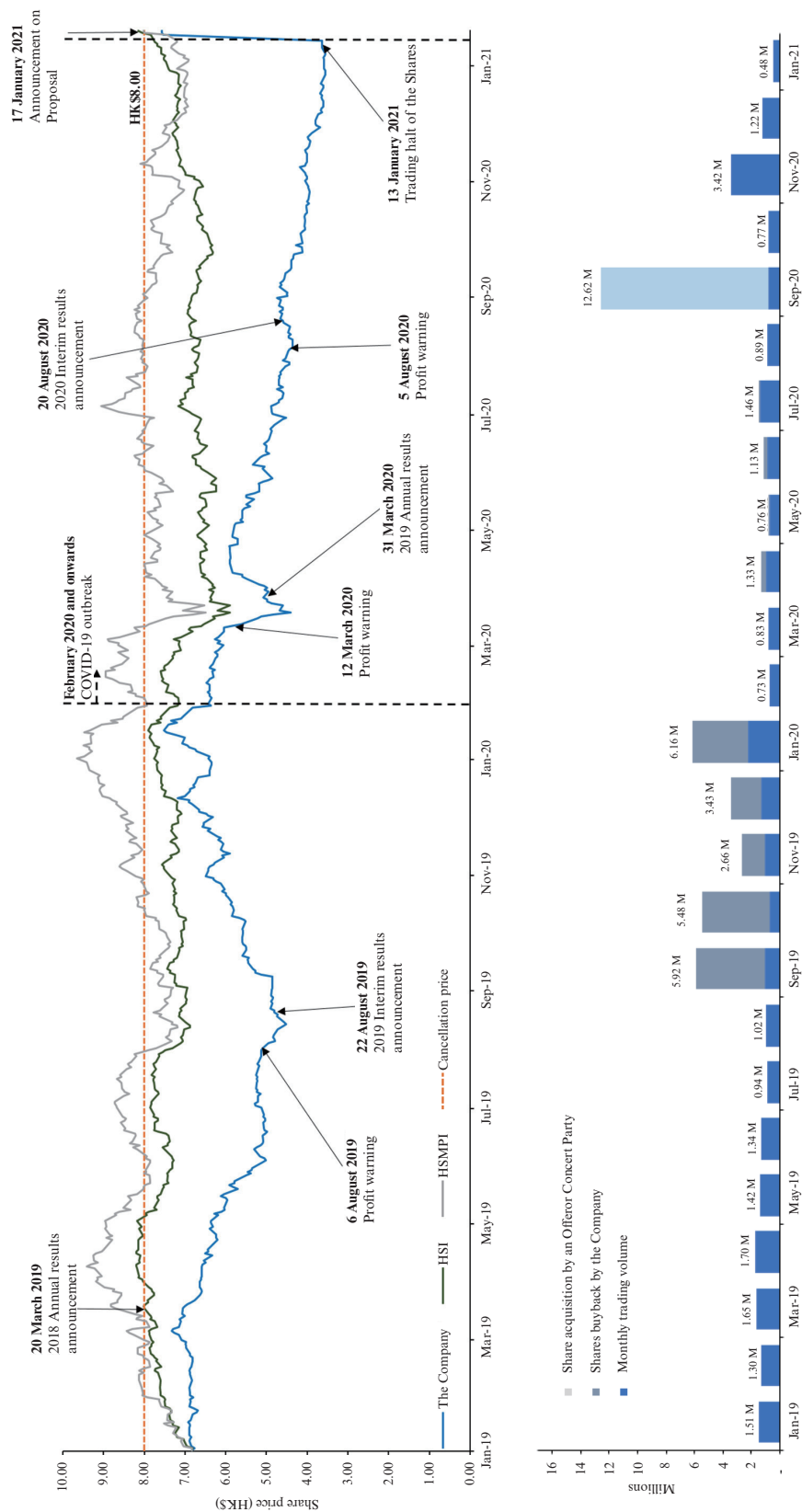
- (a) the relative historical share price performance of the Shares from 1 January 2019 to the Last Trading Date (the “**Review Period**”), with the Cancellation Price, the Hang Seng Index (“**HSI**”) and the Hang Seng Mainland Properties Index (“**HSMPI**”). The Review Period, which

covers a period of two full financial years of the Company, is considered to represent a sufficient period of time to provide a general overview of the recent market performance of the Shares, especially under the environment before and after the onset of the COVID-19 outbreak, for the purpose of this analysis;

- (b) the monthly trading volume of the Shares during the Review Period; and
- (c) the summary of the historical Share buybacks by the Company and Share acquisition by an Offeror Concert Party.

See chart 1, and table 3 below.

Chart 1 — Relative historical share price performance of the Shares during the Review Period



Sources: Bloomberg and the Stock Exchange

Note: The closing prices of the HSI and HSMPI have been rebased for ease of comparison.

**Table 3 — Share buybacks by the Company during the Review Period**

Month of Shares repurchase	Total number of Shares repurchased	% of trading volume during the month	Price paid per Share <sup>(Note)</sup>	
			Highest	Lowest
			(HK\$)	
<b>2019</b>				
September	4,825,000	81.5%	5.55	4.83
October	4,732,000	86.4%	6.35	5.48
November	1,578,000	59.4%	6.57	5.97
December	2,075,000	60.6%	7.15	6.39
<b>2020</b>				
January	3,941,000	64.0%	7.56	6.41
April	317,000	23.9%	5.97	5.05
May	41,000	5.4%	5.97	5.17
June	219,000	19.4%	5.34	4.60
July	<u>32,000</u>	2.2%	4.87	4.70
<b>Total</b>	<b>17,760,000</b>			

*Note:* The prices paid by the Company for the Share buybacks represent the intra-day prices of the Shares.

As seen from Chart 1 above, the Shares have broadly underperformed both the HSI and HSMPI during the Review Period. The Share price of the Company generally followed the trend of the HSMPI closer than the trend of HSI between January 2019 and June 2020. However, the Share price of the Company started to underperform the HSI and the HSMPI during the period subsequent to June 2020 and prior to the Last Trading Date.

As seen from Chart 1 above, during the period from January 2019 to February 2020, the closing price of the Shares fluctuated between the high point of HK\$7.52 per Shares on 17 January 2020 and low point of HK\$4.52 per Share on 15 August 2019. As seen in Table 3 above, the Company has conducted Share buybacks in the market between September 2019 and January 2020, which utilised a portion of its surplus cash reserves with a view to support the Company's value as well as the Shareholders' investment. The closing price of the Shares showed an increasing trend between August 2019 and January 2020, which peaked at HK\$7.52 on 17 January 2020 as mentioned above. It is believed that the Share buybacks conducted by the Company helped to create support for the Share price.

Nevertheless, after the closing price of Share price peaked at HK\$7.52 on 17 January 2020 in the last 12 months preceding the Last Trading Date, it started to fall when the Company ceased to buy back its Shares in February and March 2020 during the blackout period. Following the publication of the profit warning by the Company on 12 March 2020, the Share price dropped substantially from HK\$5.88

on 12 March 2020 to HK\$4.40 on 19 March 2020. At the same time, the HSMPI displayed a sharp downward trend following a similar albeit less pronounced trend of the HSI, which could have been caused by the unprecedented downturn in economic activity due to the COVID-19 outbreak during this period. The Company resumed its buyback of the Shares in April 2020 and the Share price rebounded to slightly below HK\$6.00. However, owing to constraints imposed by the minimum public float requirement under the Listing Rules, the number of Shares bought back by the Company in April to July 2020 was only approximately 16% of the Shares being bought back in January 2020. The Share price has been partly supported by Share buybacks by the Company from September 2019 to July 2020, with the number of Shares being bought-back contributing up to approximately 62.7% of the trading volume during this period. With a headroom of only approximately 0.24% before the minimum public float requirement is reached, the last Share buyback undertaken by the Company was on 3 July 2020 when the Share price closed at HK\$4.87. The Shares reached the lowest point of HK\$3.55 per Share on 8 January 2021 prior to the Last Trading Date.

In addition to Share buybacks by the Company, Mr. OEI Tjie Goan, an Offeror Concert Party, through a BVI company which is wholly-owned by him, purchased 11,834,513 Shares at HK\$4.48 on 7 September 2020, which represented 93.8% of the trading volume for the month. Subsequently, the Share price continued to drop gradually and closed at HK\$3.63 on the Last Trading Date, which underperformed both HSI and the HSMPI. Based on the discussion with the management of the Company, although such Share acquisition by an Offeror Concert Party contributed to the majority of the total Share volume in September 2020, such Share acquisition was a cross trade which did not provide any support to the market price of the Shares.

During the Review Period, the Shares have consistently traded below the Cancellation Price of HK\$8.00 per Share, which fluctuated between HK\$3.55 per Share and HK\$7.52 per Share and with the average price of HK\$5.47 per Share. During the six-month period preceding the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.74 per Share on 15 July 2020 and 1 September 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.55 per Share on 8 January 2021.

Further to our detailed analysis of the Share price during the Review Period above, and taking into account the ultimate beneficial owners of the Offeror, being also the controlling Shareholders, and the Company, have acquired Shares historically, both on and off market to show the commitment and support to the Company as discussed above, we have extended our analysis to a five-year period prior to the Last Trading Date, that is since 13 January 2016, to illustrate the effect of the Proposal on long-term Shareholders. As shown in the table below, the average Share prices in 2017, 2018, 2019 and 2020, during which the Company has conducted the Share buybacks or the Offeror Concert Parties have made Share acquisitions, are higher than those in 2016 and 2021 (up to the Last Trading Date). Accordingly, we believe the Share acquisitions by the Offeror Concert

Parties or Share buybacks by the Company in aggregate should have provided support to the average Share price. Moreover, the highest closing price each year in the past five-year period did not exceed the Cancellation Price of HK\$8.00, with the Shares traded at the highest of HK\$7.89 per Share on 6 May 2018.

**Table 4 — Share acquisitions by the Offeror Concert Parties and the Share buyback by the Company in the past five years**

Year	Share price (HK\$)			Share acquisitions by the Offeror Concert Parties, or buybacks by the Company
	High	Low	Average	
2021 (up to the Last Trading Date)	3.63	3.55	3.60	—
2020	7.52	3.56	5.00	4,550,000
2019	7.32	4.52	6.00	13,210,000
2018	7.89	4.95	6.26	19,698,000
2017	6.70	3.76	5.35	11,356,000
2016 (since 13 January 2016)	4.05	3.05	3.51	—

*Sources: Bloomberg and information provided by the Company*

— *Trading liquidity*

The liquidity of the Shares has been at a relatively low level over a long period of time, even with the support provided by the Company through Share buybacks. Without continued Share buybacks, which are severely constrained by the minimum public float requirement, the liquidity of the Shares in the future can be expected to be lower than the past when Share buybacks were taking place.



Set out below illustrates (i) the average daily trading volumes of the Shares; (ii) the percentages of the average trading volume to the total issued Shares; and (iii) the public float of the Company during the Review Period, and from the Last Trading Date up to the Latest Practicable Date:

**Table 5 — Trading volume during the Review Period, and from the Last Trading Date up to the Latest Practicable Date**

		Average daily trading volume	% of the average volume to total number of issued Shares (Note 1)	% of the average volume to total number of issued Shares held by the public (Note 2)
			%	%
<b>2019</b>	January	68,778	0.013	0.046
	February	76,561	0.014	0.052
	March	78,530	0.015	0.053
	April	89,707	0.017	0.060
	May	67,600	0.013	0.045
	June	70,293	0.013	0.047
	July	44,564	0.008	0.029
	August	46,360	0.009	0.031
	September	295,905	0.053	0.190
	October	260,886	0.050	0.181
	November	126,540	0.024	0.091
	December	180,331	0.033	0.127
<b>2020</b>	January	307,891	0.060	0.227
	February	38,363	0.007	0.027
	March	37,635	0.007	0.029
	April	69,859	0.014	0.053
	May	38,001	0.007	0.029
	June	53,661	0.010	0.042
	July	66,432	0.013	0.051
	August	42,474	0.008	0.033
	September	573,637	0.112	0.445
	October	42,824	0.008	0.033
	November	162,670	0.032	0.126
	December	55,386	0.011	0.043
<b>2021</b>	January	1,216,868	0.238	0.943
	February	400,676	0.078	0.307
	March (up to the Latest Practicable Date)	189,622	0.037	0.147

Sources: Bloomberg and information provided by the Company

*Notes:*

- (1) The calculation is based on the average trading volumes of the Shares per month divided by the total issued Shares at the end of each month.
- (2) The calculation is based on the average trading volumes of the Shares per month divided by the total number of Shares held by the public at the end of each month.

As shown in the table 5 above, the monthly average trading volumes of the Shares represented approximately 0.007% to 0.112% of the total issued Shares, equivalent to approximately 0.027% to 0.445% of the Shares constituting the public float of the Company. In general, trading of the Shares was relatively thin during most of the time during the Review Period, except for September 2019 to January 2020 and September 2020 showing a relatively higher level of trading volume (approximately 0.024% to 0.112% of the total issued Shares, equivalent to approximately 0.091% to 0.445% of the Shares constituting the public float of the Company). As discussed in the section above, this was mainly due to Share buybacks by the Company and Share acquisition by an Offeror Concert Party.

On the basis of the above, we consider that the recent trading of the Shares was relatively thin during most of the time during the Review Period. The low level of liquidity in the Shares would indicate that any sale of a large number of Shares through the market would be difficult to accomplish in a short period of time without adversely affecting the Share price. Therefore, the Proposal will be able to provide the Scheme Shareholders with an opportunity to realise the shareholding in the Company at a price effectively much higher than it had traded before the publication of the Joint Announcement.

During the period from the Last Trading Date up to the Latest Practicable Date, the average daily trading volume was 640,816 Shares, and we believe that the recent increase in the liquidity of the Shares was due primarily to the release of the Joint Announcement.

As illustrated in the table 5, we concur with the view of the management of the Company that the low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the price of the Shares. Accordingly, the Proposal should provide the Scheme Shareholders with an opportunity to exit and realise their investments in the Company in full for cash at an attractive premium.

***(b) Considering the historical discounts to NAV per Share***

During the past decade, as discussed above, the ultimate beneficial owners of the Offeror have been committed to supporting the Company through Share acquisitions and the Company conducted Share buybacks with surplus cash with an aim to enhance the Shareholders' value.

However, as illustrated in the table 6 below, the Shares have been traded at significant discounts to the NAV per Share, ranging from approximately 72.5% to 85.3% during the Review Period, and from approximately 80.7% to 85.7% during the

period from 6 July 2020 to the Announcement Date and up to the Latest Practicable Date when there was no Share acquisitions by the Offeror and the Offeror Concert Parties, and Share buybacks by the Company as discussed above. We noted that the discount of NAV to Share price is largely in line with the property comparable companies in Hong Kong, as further illustrated in our analysis in the sub-section headed “Comparable Companies” below. In addition, we have discussed with the management of the Company and are advised that the Company considered the following activities were undertaken with an aim to enhance the Shareholders’ value, being its Share buybacks as discussed in the section headed “VI. BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION — Reasons for, and benefits of, the Proposal” below, and carrying on the activities in its ordinary and usual course of business, such as (i) the investment in the Songxian wind farm in Henan Province which started generating revenue in 2019 and operated in full swing in 2020; (ii) participation in four private and one government land tendering in Hong Kong in 2019 and 2020; and (iii) cost-saving measures undertaken by negotiating the final accounts with the main contractors of its completed residential and commercial projects. Nevertheless, the Shares have been traded at a substantial discount to its NAV for a prolonged period for which the Company is unaware of the reasons.

Accordingly, we have compared the price-to-book ratios (the “**P/B Ratio**”) of the Group, as defined below, implied by the Cancellation Price of HK\$8.00 with the historic P/B Ratio of the Group during the Review Period, and from the Last Trading Date up to the Latest Practicable Date as shown in Table 6 below.

**Table 6 — Historic P/B Ratio during the Review Period, and from the Last Trading Date up to the Latest Practicable Date**

Month	NAV per Share (Note) (HK\$)	Average closing Share price (HK\$)	P/B Ratio (times)	Discount to NAV (%)
<b>2019</b>				
January	25.33	6.85	0.27	73.0%
February	25.33	6.89	0.27	72.8%
March	25.33	6.97	0.28	72.5%
April	24.96	6.45	0.26	74.2%
May	24.96	5.89	0.24	76.4%
June	24.96	5.09	0.20	79.6%
July	24.96	5.20	0.21	79.2%
August	24.96	4.81	0.19	80.7%
September	25.14	5.28	0.21	78.8%
October	25.14	5.88	0.23	76.6%
November	25.39	6.27	0.25	75.3%
December	25.57	6.68	0.26	73.9%
<b>2020</b>				
January	25.57	6.97	0.27	72.7%
February	25.57	6.34	0.25	75.2%
March	25.76	5.42	0.21	79.0%
April	25.31	5.68	0.22	77.5%
May	25.31	5.40	0.21	78.7%
June	25.34	4.97	0.20	80.4%
July	25.34	4.66	0.18	81.6%
August	25.34	4.51	0.18	82.2%
September	24.80	4.43	0.17	82.5%
October	24.80	4.03	0.16	83.8%
November	24.80	3.99	0.16	83.9%
December	24.80	3.66	0.15	85.3%
<b>2021</b>				
January	24.80	5.61	0.23	77.4%
February	24.80	7.63	0.31	69.2%
March (up to the Latest Practicable Date)	26.81	7.60	0.28	71.6%
<b>Maximum</b>			<b>0.31</b>	<b>85.3%</b>
<b>Minimum</b>			<b>0.15</b>	<b>69.2%</b>
<b>Implied P/B ratio of the Cancellation Price as at the Last Trading Date (based on the NAV of the Company as at 31 December 2020):</b>			<b>0.30</b>	<b>70.2%</b>

*Note:* The latest published NAV and the number of issued shares as at the start of the relevant period were taken for the calculation of NAV per Share.

*Source:* Bloomberg and annual reports of the Company

Based on the Company's NAV per Share of HK\$26.81 as at 31 December 2020, the implied P/B Ratio per Share based on the Cancellation Price of HK\$8.00 was approximately 0.30 times. Such implied P/B Ratio compares favourably to the Company's historic P/B Ratio ranging from 0.15 to 0.28 times during the Review Period, and is comparable with the P/B ratio from the Last Trading Date and up to the Latest Practicable Date.

As the Cancellation Price represents a discount of 70.2% to the NAV per Share as at 31 December 2020, the Proposal will therefore provide the Scheme Shareholders with an opportunity to monetise their investment in the Company at a narrower discount to the NAV per Share, than they have been able to obtain in the market.

Furthermore, the Cancellation Price of HK\$8.00 cash per Scheme Share presents to the Scheme Shareholders the opportunity to monetise their interests in the Company at a discount of approximately 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend) as at 31 December 2020 of approximately HK\$25.21. Our analysis on the Reassessed NAV per Share is described on the section headed “VII. FURTHER ASSESSMENT AND CONSIDERATION IN THE ASSESSMENT OF THE PROPOSAL — Valuation of property interests of the Company as at 31 January 2021 for determining the Reassessed NAV per Share” below.

***(c) Considering the increased uncertainties over business outlook***

The Group has been investing substantial resources in its property development and investment businesses in the PRC. In 2018 and 2019, as disclosed in the Company’s annual reports for the years ended 31 December 2018 and 2019, the property market in the PRC was cooling as the PRC economy slowed down and the PRC authorities restrained speculative activities and tightened credit for the property sector, including the restrictions on purchase, sales, price, and lending to this sector in 2018. As a result, as discussed in the section headed “V. BACKGROUND OF THE GROUP AND THE OFFEROR — Information of the Group” above, the total revenue for the Group decreased by approximately 18.4% from approximately HK\$1,270.0 million for the year ended 31 December 2018 to approximately HK\$1,036.9 million for the year ended 31 December 2019, which was mainly attributable to the decline of revenue from the residential sales segment.

As disclosed in the Company’s annual results announcement for year ended 31 December 2020, dampened by the recent Sino-US tensions and COVID-19 pandemic, (i) the contracted sales of residential properties were poor during the first quarter of 2020 as sales offices were ordered to close and local governments encouraged people to stay at home, and oversupply; and (ii) the leasing revenues of investment properties were negatively affected, recording approximately 6.9% decrease as compared to 2019 as demand for offices and retail space declined given reduced business activities, reduced foot traffic at malls and the government’s encouragement for office workers to work at home. The decrease in the higher margin leasing revenue dragged down the Group’s gross profit margin from 65.8% in 2019 to 55.9% in 2020.

Accordingly, the operating performance fluctuations are liable to depress the Share price as uncertainties such as the Sino-US tensions and COVID-19 pandemic continue. Accordingly, we concur with the view of the management of the Company that the Proposal should provide the Scheme Shareholders with a timely opportunity to realise their investments in the Company amid the increased uncertainties over its business outlook.

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its property development business, property investment and leasing business and renewable energy business. Please refer to the section headed “VII. FURTHER ASSESSMENT AND CONSIDERATION IN THE ASSESSMENT OF THE PROPOSAL — Future intentions of the Offeror and the outlook of the Group” for our detailed discussion and analysis in relation to the intentions of the Offeror and the outlook of the Group.

***(d) A proposal to facilitate flexibility in formulating long-term business development strategy and reducing costs incurred from maintaining a listing platform with a limited fund-raising function***

As discussed above, the Group is facing a challenging market environment, changes in government regulations and uncertainties in Sino-US relations and COVID-19 situation. In these circumstances, the management of the Group will need to focus its resources and implement necessary measures to steer through a difficult period. The Proposal, if implemented, will help the Company focus on its long-term development strategy and give the Company more flexibility and higher efficiency in supporting the long-term business development of the Company, free from short-term profit expectations, the pressure of market expectations, share price fluctuations and compliance requirements associated with maintaining the listing status of the Company.

As advised by the management of the Company, the Company did not conduct any equity fund raising activities during the last five years. As illustrated in the section headed “VI. BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION — Reasons for, and benefits of, the Proposal — (b) Considering the historical discounts to NAV per Share” above, the Shares have been traded at significant discounts to the NAV per Share, therefore, the Company was unable to effect any meaningful equity capital fund raising without diluting its NAV per Share.

Due to the uncertainty over the Company’s profitability brought on by more difficult economic conditions, heightening of geopolitical risks and COVID-19 which may have contributed to the underperformance of the Share price and the low liquidity in the trading of Shares, we concur with the view of the Company that the ability of the Company to raise funds from the equity capital markets through its listing platform is limited, and the current listing platform may no longer be able to serve as a practical channel for fund raising for the Group’s business and long-term growth. Moreover, the listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated.

## VII. FURTHER ASSESSMENT AND CONSIDERATION IN THE ASSESSMENT OF THE PROPOSAL

### Valuation of property interests of the Company as at 31 January 2021 for determining the Reassessed NAV per Share

#### — *Valuation of property*

The valuation report (the “**Valuation Report**”) by Knight Frank Petty Limited (the “**Valuer**”) as at 31 January 2021 relating to the valuation of property interests in Hong Kong (“**HK Properties**”) and the PRC (the “**PRC Properties**”, and collectively with HK Properties, the “**Properties**”) is set out in Appendix II to this Scheme Document.

We are satisfied that the terms, including the scope of work, of engagement between the Company and the Valuer are appropriate. We have discussed with the Valuer the methodologies and assumptions used in arriving at the market valuations of the Properties being valued. Details in respect of the valuation methodologies adopted by the Valuer are set out in the Valuation Report. We also note that the Valuer carried out site inspections of the PRC Properties and the HK Properties in 2020 and 2021.

Details of the property valuations in the Valuation Report are summarised below:

**Table 7 — Summary of property valuations in the Valuation Report**

Types of property interests	Valuation methodology used	Attributable market value as at 31 January 2021
<b>In Hong Kong</b>		<i>(HK\$ million)</i>
Group I — Property held for investment	Income approach — term and reversion method (the “ <b>Income Approach</b> ”) by capitalisation the net income shown on tenancy schedules and made provisions for reversionary income potential. Reference is also made to sale evidence as available in the market.	76.1
Group II — Properties held for owner — occupation	Market approach (the “ <b>Market Approach</b> ”) by referencing market comparable transactions available and assumed sale of property interests with the benefit of vacant possession	122.7
	<b>Sub-total</b>	<b>198.8</b>
<b>In the PRC</b>		<i>(RMB million)</i>
Group III — Properties held for investment	Income Approach	7,707.4
Group IV — Properties held for owner-occupation	Income Approach	12.9
Group V — Properties held for sale <i>(Note 1)</i>	Market Approach	436.4
Group VI — Leased Property <i>(Note 2)</i>	Reference is made to its profit rent originate from the lease term interest and its rights in sub-letting and, or transferring the lease term interest of the property	No commercial value
Group VII — Properties held for future development	Reference is made to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the completed development	3,318.7
	<b>Sub-total</b>	<b>11,475.4</b>
		<i>(HK\$ million)</i>
	<b>Total</b>	<b>13,871.7</b>



*Notes:*

- (1) Based on the Valuation Report, the Valuer did not assign commercial value to (i) residential portion of the property in Jiangmen as it was under litigation and cannot be sold, and basement car parking spaces (civil defense) and ground level car parking spaces of the property in Jiangmen as the legal title cannot be ascertained; (ii) the commercial portion of the property in Tianjin which is considered as ancillary commercial facilities and as such the sale permit cannot be obtained and therefore cannot be sold, and the car park portion of the property in Tianjin as transferability of the lease term interest of aforesaid portion cannot be ascertained; and (iii) basement car parking spaces of the property in Shenyang as their legal title cannot be ascertained. Based on the information provided by the Company, no book values were assigned to these properties as at 31 December 2020.
- (2) The Group operates a retail complex at Legation Quarters, the former site of the United States diplomatic compound in Beijing pursuant to lease agreement entered into between The Legation Quarter Limited, a 80.4%-owned subsidiary of the Company (the “**Tenant**”) and Diaoyutai State Guesthouse Administration\* (“外交部釣魚臺賓館管理局”) (the “**Landlord**”) for a term of 15 years commencing from 1 May 2006 to 30 April 2021. As stated in the announcement of the Company dated 3 May 2020, the lease agreement mentioned above has been renewed for further ten years commencing from 1 May 2021 and expiring on 30 April 2031 and the leased property will be accounted for as right-of-use asset of the Group pursuant to HKFRS 16. As discussed in the Valuation Report, such property interest should not be regarded as the Group’s property asset for the purpose of Rule 11.1(f) of the Takeovers Code. Further, as the rights to lease the property by the Landlord and the validity of the tenancy agreements cannot be ascertained, no commercial value was assigned to the property. Based on the information provided by the Company, the book value of the property as at 31 December 2020 was approximately HK\$13.9 million.

According to the Valuation Report, the attributable market values of the Company’s HK Properties and PRC Properties were approximately HK\$198.8 million and RMB11,475.4 million (equivalent to approximately HK\$13,672.9 million), respectively. The total attributable market values of the Company’s Properties were approximately HK\$13,871.7 million.

We have reviewed the valuation methodologies adopted in the Valuation Report, and further discussed with the Valuer on the methodologies adopted, mainly Income Approach and Market Approach, in valuing the majority of the Properties as at 31 January 2021.

According to the Valuation Report and upon the discussion with the Valuer,

- (a) “Income Approach” is adopted for the valuation of the properties in Group I, Group III and Group IV — by capitalisation the net income shown on tenancy schedules handed to the Valuer by the Company and made provisions for reversionary income potential. The Valuer has also made reference to sale evidence as available in the market. As advised by the Valuer, the properties will generate recurring income for the Company. As a result, the Income Approach is adopted to take into account the committed rental (if any) as well as the market rental as at the valuation date;

- (b) “Market Approach” is adopted for the valuation of the properties in Group II and Group V — which assumes market comparable transactions are available and the sale of property interests with the benefit of vacant possession. As advised by the Valuer, Market Approach is commonly adopted when there is available information on the sale evidences of similar properties are available for the subject properties, and they have taken into account the key parameters such as the types of properties, location and transaction period when selecting comparables;
- (c) valuation of the property interests in Group VI which are leased by the Company are made with reference to its profit rent originating from the lease term interest and its rights of sub-letting and, or transferring the lease term interest of the property. We also understand from the Valuer that the valuation is also considered an Income Approach; and
- (d) valuation of the properties in Group VII which are held by the Company for future development in the PRC on the basis that the properties will be developed and completed in accordance with the development proposals provided to them. We understand from the Valuer the method of valuation of these properties is also considered as a Market Approach. The Valuer has assumed that the approvals for the proposals have been obtained. In arriving at the opinion of value, the Valuer has made reference to comparable transactions in the locality and has also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the completed development.

We note that the methodologies being adopted, namely the Income Approach and the Market Approach, in the Valuation Report, are common valuation approaches and in line with market practice. The Valuer considers these approaches to be appropriate given (i) these are the most commonly accepted methods for valuing properties; and (ii) recent comparable sales transactions with similar attributes in terms of size, characteristics and location as the properties are available in the market. We have further discussed with the Valuer in respect of the methodologies, bases and assumptions adopted in arriving at the values of the property interests. In particular, we have asked the Valuer about the method of selecting relevant valuation methodologies for different types of properties used in the Valuation Report, the valuation cross-checked the valuation with available market data and discussed the bases and assumptions adopted for each type of properties in the Valuation Report.

As the aggregate book value of the properties which were not assigned commercial value represent less than 0.1% of the total book value of the properties of the Company, we are of the view that this does not affect our analysis and recommendation in respect of the Proposal.

As discussed with the Valuer, we further noted that the valuation methodologies adopted in appraising these properties as at 31 January 2021 in the Valuation Report were consistent with those applied for the valuation of the properties as at 31 December 2020. Taking into consideration of the nature of the properties and that the valuation is conducted in accordance with the aforesaid requirements, we consider that the methodologies and basis adopted by the Valuer for determining the market values of the property interests are appropriate.

— *Reassessed NAV*

The total appraised value of the properties attributable to the Company as at 31 January 2021 amounted to approximately HK\$13,955 million (see note 2 to table 8). Taken into account the deferred tax in relation to the surplus of HK\$4,675 million, this gives rise to a net revaluation surplus of approximately HK\$2,330 million over the audited book value of the Properties attributable to the Company of approximately HK\$11,625 million as at 31 December 2020.

Table 8 below shows the calculations of the Reassessed NAV per Share of HK\$25.34 taking into account the market valuation of the Properties attributable to the Company as at 31 January 2021 and related tax effects and other adjustments as appropriate.

**Table 8 — Calculation of the Reassessed NAV per Share**

	<i>HK\$ million</i>	<i>Notes</i>
<b>Audited consolidated NAV attributable to the Shareholders as at 31 December 2020</b>	<b>13,701.4</b>	
	<b>HK\$26.81 per Share</b>	
<i>Add:</i> Deferred tax liabilities on associates	142.4	1
<i>Add:</i> Deferred tax liabilities on subsidiaries less non-controlling interest portion	<u>1,452.0</u>	1
	15,295.8	
<i>Add:</i> Valuation surplus	2,330.1	2
<i>Less:</i> Potential taxation liabilities	<u>(4,674.9)</u>	3
<b>Reassessed NAV as at 31 December 2020</b>	<u>12,951.0</u>	
<b>Reassessed NAV per Share as at 31 December 2020</b>	HK\$25.34 per Share	4
<i>Less:</i> Second Interim Dividend	HK\$0.13 per Share	
<b>Reassessed NAV per Share as at 31 December 2020 (having excluded the Second Interim Dividend)</b>	<u><u>HK\$25.21 per Share</u></u>	

*Notes:*

1. Represents the add-back to the NAV of the Group as at 31 December 2020 of the provision made by the Group in respect of the potential tax liability arising from the valuation surplus of the property interests attributable to the Group as at 31 December 2020.
2. Calculated based on the difference between (i) the market valuation of the Properties attributable to the Company as at 31 January 2021 of HK\$13,872 million plus (a) the value of the properties sold by the Group during the month of January 2021 of HK\$72 million and (b) the audited book value of the property no. 17 of the Valuation Report in Appendix II to the Scheme Document attributable to the Company as at 31 December 2020 of HK\$11 million and which was not assigned commercial value (please refer to table 7 above for further details), and (ii) audited the book value of properties attributable to the Company as at 31 December 2020 of HK\$11,625 million.
3. Represents the potential tax liabilities that would crystallise upon the disposal of the property interests of the Company at the market valuation. We have discussed with the Company and reviewed its computation of the potential tax liability. As advised by the Company, relevant taxes include value-added tax, land appreciation tax, corporate income tax, and surcharges by the PRC government, and are estimated based on the temporary differences between the market values of the property interests and the corresponding tax base used in the computation of the relevant taxable profits. No deferred tax is provided for in respect of investment properties located in Hong Kong as no potential tax liability would arise on the direct disposal of these properties located in Hong Kong. Please refer to the Valuation Report in Appendix II to the Scheme Document for further details on computation of the potential tax liability.
4. Based on 511,074,246 Shares in issue as at 31 December 2020.
5. We noted the financial assets at fair value through profit or loss increased from approximately HK\$2,281.4 million as at 31 December 2020 to approximately HK\$2,392.2 million as at 31 January 2021. For illustration purposes, this would result in the increase of Reassessed NAV by HK\$0.22 per Share. As advised by the management of the Company, such financial assets at fair value through profit or loss mainly consisted of investments in listed securities. We have discussed with the management and understand that it is considered the investments in listed securities are a more productive way to utilise a portion of which has been invested the unutilised cash balances held under the property segment of the Group than bank deposits, which would generate low interest. It is noted, however, the Company's net asset value could be affected by the mark-to-market fair valuation on the listed equities investment portfolio from fluctuations in the equity market.

The Cancellation Price of HK\$8.00 per Scheme Share represents a discount of approximately 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend) of HK\$25.21 as at 31 December 2020. It is noted that such discounts are less than that of the Comparable Companies (as defined below) as further detailed below.

**Comparable Companies**

The Group is a property-focused group with aggregate revenue from its investment property and development property segment contributing over 80% of its total revenue for the three financial years ended 31 December 2020. Accordingly, in assessing the fairness and reasonableness of the Cancellation Price, we have identified an exhaustive list of companies listed on the Main Board of the Stock Exchange which (i) are principally engaged in property investment and development, and generated

over 50% of their revenue from the PRC in their respective latest financial years; (ii) have market capitalisation ranging from HK\$2 billion to HK\$6 billion on the Last Trading Date; and (iii) the total equity attributable to the shareholders of the companies in between HK\$10 billion and HK\$15 billion to their respective latest financial results.

Based on the above criteria, we have identified an exhaustive list of 8 companies, and we consider that these companies (the “Comparable Companies”) are representative and appropriate for comparison purposes as they are all engaged in the same sector as the Group does and have the majority of the revenue derived from PRC.

In assessing the fairness and reasonableness of the Cancellation Price, we have used the price-to-earnings ratios (“P/E Ratio”) and price-to-book ratios (“P/B Ratio”) of the Comparable Companies, which are the two most commonly adopted valuation benchmarks in comparing the valuation of a company’s shares. For asset-based companies such as property development and investment companies listed in Hong Kong, P/B ratio analysis is a commonly used approach for valuation. Meanwhile, since the Group has been profit-making in the last financial year, we consider that the P/E Ratio is also appropriate in assessing the value of the Group. The table below illustrates (i) the P/E Ratio; and (ii) the P/B Ratio of the Comparable Companies based on their respective earnings per share and NAV per share as derived from their respective latest published financial statements and the closing share prices of the Comparable Companies on the Last Trading Date and the Latest Practicable Date:

**Table 9 — P/B Ratios and P/E Ratios of the Comparable Companies**

Company	Stock Code	Percentage of revenue generated from the property investment and development business (%)	Percentage of revenue generated from the PRC (%)	As at the Last Trading Date			As at the Latest Practicable Date		
				Market capitalisation (HK\$' million)	P/B Ratio (times) (Note 1)	P/E Ratio (times) (Note 2)	Market capitalisation (HK\$' million)	P/B Ratio (times) (Note 3)	P/E Ratio (times) (Note 4)
Yida China Holdings Limited	3639	82.6	100.0	5,581	0.38	10.35	5,633	0.39	10.45
Polytec Asset Holdings Limited	208	79.9	100.0	4,261	0.31	61.13	6,437	0.47	92.34
Tomson Group Limited	258	94.7	87.7	3,942	0.33	33.33	3,962	0.31	22.64
Guorui Properties Limited	2329	92.2	100.0	3,378	0.23	5.60	2,311	0.15	3.83
Sunshine 100 China Holdings Ltd.	2608	93.2	100.0	3,063	0.28	1.74	3,012	0.27	1.71
Liu Chong Hing Investment Limited	194	85.9	77.2	2,696	0.22	18.07	2,720	0.22	16.79
Lai Fung Holdings Limited	1125	89.1	100.0	2,546	0.18	N/A	2,052	0.13	N/A
China Oceanwide Holdings Limited	715	78.3	78.5	2,131	0.21	N/A	2,502	0.25	N/A
Comparable Companies:				High	0.38	61.13		0.47	92.34
				Mean	0.27	21.71		0.27	24.63
				Median	0.25	14.21		0.26	13.62
				Low	0.18	1.74		0.13	1.71
The Company:	190	82.5	100.0	4,089	0.32 (Note 5)	21.64 (Note 6)	4,089	0.30 (Note 7)	20.21 (Note 8)

*Sources: Bloomberg, annual and interim reports, or results announcements of the Comparable Companies*

*Notes:*

- (1) P/B Ratios of the Comparable Companies are calculated by way of dividing the market capitalisation by the latest published total equity attributable to shareholders of the relevant companies on the Last Trading Date.
- (2) P/E Ratios of the Comparable Companies are calculated by way of dividing the market capitalisation by the latest published earnings attributable to shareholders for the latest twelve months of the relevant companies on the Last Trading Date.
- (3) P/B Ratios of the Comparable Companies are calculated by way of dividing the market capitalisation by the latest published total equity attributable to shareholders of the relevant companies on the Latest Practicable Date.
- (4) P/E Ratios of the Comparable Companies are calculated by way of dividing the market capitalisation by the latest published earnings attributable to shareholders for the latest twelve months of the relevant companies on the Latest Practicable Date.
- (5) Based on the Cancellation Price of HK\$8.00 per Share and the equity attributable to equity holders of the Company per Share of HK\$24.8 as at 30 June 2020.
- (6) Based on the Cancellation Price of HK\$8.00 per Scheme Share and the earnings per share attributable to equity holders of the Company of HK\$0.37 per Share for the latest twelve months.
- (7) Based on the Cancellation Price of HK\$8.00 per Share and the audited equity attributable to equity holders of the Company per Share of HK\$26.8 as at 31 December 2020 as extracted from the 2020 annual results announcement of the Company.
- (8) Based on the Cancellation Price of HK\$8.00 per Scheme Share and the earnings per share attributable to equity holders of the Company of HK\$0.395 per Share for the year ended 31 December 2020 as extracted from the 2020 annual results announcement of the Company.

As can be seen from the table above, the P/E Ratio as implied by the Cancellation Price was 21.64 times as at the Last Trading Date, which was higher than the median but slightly lower than the average of those of the Comparable Companies. The P/E Ratio as implied by the Cancellation Price was 20.21 times as at the Latest Practicable Date, which was higher than the median of those of the Comparable Companies.

The P/B Ratio as implied by the Cancellation Price was 0.32 times as at the Last Trading Date which was higher than the average and median P/B Ratios of the Comparable Companies. The P/B Ratio as implied by the Cancellation Price was 0.30 times as at the Latest Practicable Date which was higher than the average and median P/B Ratio of the Comparable Companies.

*Value of the Group based on sum-of-the-parts (“SOTP”)*

We noted that approximately 17.4% of the revenue of the Group was derived from the renewable energy business via its 56.00% held and listed subsidiary CREI for the year ended 31 December 2020. As at the Last Trading Date and Latest Practicable Date, the market capitalisation of CREI was approximately HK\$471.2 million and HK\$523.8 million, respectively, with the Company’s holding of CREI valued at approximately HK\$263.8 million and HK\$293.3 million, respectively.

In order to assess and cross-check the value of the Group, we have therefore performed an assessment on the value of the Group based on the sum of value of its (a) property-related businesses; and (b) the market value of the Company’s holding in its listed subsidiary, CREI.

Regarding the property segment, we have employed the equity attributable to the shareholders from the property segment as at 31 December 2020, which was provided by the management of the Group, to assess the equity value of the property segment. The P/B Ratio is considered appropriate in the context of valuation for this segment and, therefore, we have applied the median P/B Ratio of the Comparable Companies as at the Last Trading Date and Latest Practicable Date as determined in the sub-section headed “Comparable Companies” above to the NAV of the property-related business to assess its value.

**Table 10 — The SOTP valuation of the Group**

	<b>As at the Last Trading Date</b>	<b>As at the Latest Practicable Date</b>
<b>Equity attributable to shareholders of the property segment (HK\$ million)</b> <sup>(Note 1)</sup>	11,756.6	12,702.7
<b>P/B Ratio adopted</b> <sup>(Note 2 and 5)</sup>	0.25x	0.26x
<b>Implied equity value of the property segment (HK\$ million)</b>	2,939.2	3,302.7
<b>Market capitalisation of CRE</b> <sup>(Note 3)</sup>	<u>263.8</u>	<u>293.3</u>
<b>Total equity value (HK\$ million)</b>	<u>3,203.0</u>	<u>3,596.0</u>
<b>Per Share (HK\$)</b> <sup>(Note 4)</sup>	<u>6.27</u>	<u>7.04</u>

Sources: the Stock Exchange, annual report and interim report of the Group, and information provided by the Company

Notes:

- (1) Based on the equity attributable to shareholders as at 30 June 2020 for the valuation as at the Last Trading Date and the reassessed NAV as at 31 December 2020 for the valuation as at the Latest Practicable Date provided by the management of the Company.



- (2) Median P/B Ratio of the Comparable Companies was applied for the calculation of the implied equity value of the property segment.
- (3) The value of the renewable energy segment was calculated by multiplying the 56.00% shareholding by the market capitalisation of CREI as at the Last Trading Date and Latest Practicable Date, respectively.
- (4) We adopted the number of Shares outstanding as at the Last Trading Date and Latest Practicable Date to arrive the implied value per Share.
- (5) We noted the financial assets at fair value through profit or loss increased from approximately HK\$300.8 million as at 31 December 2019 to approximately HK\$2,281.4 million as at 31 December 2020. As advised by the management of the Company, such financial assets at fair value through profit or loss mainly consisted of investments in listed securities. We have discussed with the management and understand that it is considered the investments in listed securities are a more productive way to utilise a portion of which has been invested the unutilised cash balances held under the property segment of the Group than bank deposits, which would generate low interest. When preparing the SOTP analysis, having considered (i) the principal businesses of the Company consisted of property and renewable energy; (ii) it is not uncommon for listed companies to utilise idled cash in liquid investments which would be incorporated in their NAVs; and (iii) the liquidity and purpose of these investments in listed securities as mentioned above, we are of the view it is reasonable to consider these investments as part of the property segment.

Based on the above analysis, as at the Last Trading Date, the sum of the (a) Group's property related business value under the P/B Ratio adopted; and (b) the market value of the Company's holding in its listed subsidiary, CREI, would be approximately HK\$3,203.0 million or HK\$6.27 per Share. Accordingly, the Cancellation Price of HK\$8.00 per Share represents a premium of 27.6% over such calculated sum-of-the-parts value as at the Last Trading Date. As at the Latest Practicable Date, the sum of the Group's property related business and renewable energy related business values under the P/B Ratios adopted would be approximately HK\$3,596.0 million or HK\$7.04 per Share. Accordingly, the Cancellation Price of HK\$8.00 per Share represents a premium of 13.7% over such calculated sum-of-the-parts value as at the Latest Practicable Date. Further, the Shareholders will receive a Second Interim Dividend of HK\$0.13 in addition to the Cancellation Price.

Nevertheless, to assess the equity value of the renewable energy business segment of the Group, we have selected companies comparable with CREI for our analysis. Based on the selection criteria of companies listed on the Main Board of the Stock Exchange which (i) are primarily engaged in the sales of electricity generated from wind power plants, and generated over 50% of their revenue from the PRC in their respective latest financial years; (ii) recorded a net asset as at its latest financial year, or period end; and (iii) have market capitalisation below HK\$1 billion as at the Last Trading Date, we have identified on an exhaustive basis, only one company, being China Ruifeng Renewable Energy Holdings Limited (Stock code: 527). As this comparable company recorded a loss in its latest financial year, the P/B Ratio is considered appropriate in the context of valuation for this segment. We have adopted the same approach as the property segment, which is by applying the P/B Ratio of the comparable company to the equity attributable to the shareholders from the renewable



energy segment of the Company as at 30 June 2020 for the valuation as at the Last Trading Date, and 31 December 2020 for the valuation as at the Latest Practicable Date, as provided by the management of the Company to assess the implied equity value of the renewable energy segment. Based on the market capitalisation of HK\$376.0 million as at the Last Trading Date and the equity attributable to shareholders of approximately RMB540.0 million (equivalent to approximately HK\$642.6 million) as at 30 June, 2020, the P/B Ratio of China Ruifeng Renewable Energy Holdings Limited is 0.58x, as compared to 0.27x of CREI as at the Last Trading Date. Based on the market capitalisation of HK\$514.6 million as at the Latest Practicable Date and the equity attributable to shareholders of RMB540.0 million as at 30 June 2020, the P/B Ratio of China Ruifeng Renewable Energy Holdings Limited is 0.79x, as compared to 0.30x of CREI as at the Latest Practicable Date.

Based on the above analysis, the SOTP valuation of the Group is as follows:

**Table 11 — The SOTP valuation of the Group (based on the comparable company analysis)**

	As at the Last Trading Date	As at the Latest Practicable Date
<b>Implied equity value of the property segment as calculated in Table 10 (HK\$ million)</b>	2,939.2	3,302.7
<b>Equity attributable to shareholders of the renewable energy segment based on the Company's interest (HK\$ million)</b>	918.6	998.7
<b>P/B Ratio adopted</b>	<u>0.58x</u>	<u>0.79x</u>
<b>Implied equity value of the renewable energy segment (HK\$ million)</b>	532.8	789.0
<b>Total equity value (HK\$ million)</b>	3,471.9	4,091.7
<b>Per Share (HK\$)</b>	<u><u>6.79</u></u>	<u><u>8.01</u></u>

*Sources: the Stock Exchange, annual report and interim report of the Group, and information provided by the Company*

Based on the above result, as at the Last Trading Date, the sum of the Group's property related business and renewable energy related business values under the P/B Ratios adopted would be approximately HK\$3,471.9 million or HK\$6.79 per Share. Accordingly, the Cancellation Price of HK\$8.00 per Share represents a premium of 17.8% over such calculated sum-of-the-parts value as at the Last Trading Date. As at the Latest Practicable Date, the sum of the Group's property related business and renewable energy related business values under the P/B Ratios adopted would be approximately HK\$4,091.7 million or HK\$8.01 per Share. Accordingly, the Cancellation Price of HK\$8.00 per Share represents a slight discount of 0.1% to

such calculated sum-of-the-parts value as at the Latest Practicable Date. However, it is noted that the Shareholders will receive a Second Interim Dividend of HK\$0.13 in addition to the Cancellation Price.

#### **Privatisation precedents proposals in Hong Kong**

We have, on an exhaustive basis, identified and reviewed 16 successful privatisation proposals by way of scheme of arrangement, and with cash consideration only, on the Main Board of the Stock Exchange announced and approved by the disinterested shareholders during the period of 12 months prior the Last Trading Date. The cancellation prices of these 16 precedent transactions represent an average premium over the last trading date, 5, 30, 60 and 180 trading days average share price of approximately 48.5%, 56.1%, 60.6%, 63.0%, and 58.0%, respectively.

However, the Group is a property-focused group with aggregate revenue from its property development, investment and leasing contributed as to approximately 82.6% of its total revenue for the year ended 31 December 2020. In view of the fact that the Group is an asset-heavy property company, which falls under the kind of business having “significant property interests” under Rule 11 of the Takeovers Code, it would be much appropriate to evaluate the Cancellation Price to those of the similar successful property development companies’ privatisation precedent, in terms of the prevailing market prices and the reassessed NAV, for the purpose of this analysis. Therefore, in order to assess the fairness and reasonableness, and provide to the Disinterested Scheme Shareholders a meaningful analysis on the privatisation of property development companies, we searched for recent comparable privatisation proposals by way of scheme of arrangement, involving issuers who mainly engaged in property development listed on the Main Board of the Stock Exchange. We have only identified one transaction with such characteristics during the period of 12 months prior the Last Trading Date. On 20 February 2020, Wheelock and Company Limited (Stock Code: 20) announced its privatisation proposal by way of scheme of arrangement, nevertheless, such transaction involved both cash and share consideration, and therefore we consider such transaction structure as not comparable to the Proposal. Therefore, we have expanded the scope to cover the successful privatisation proposals by way of scheme of arrangement with only cash cancellation consideration of property development companies listed on the Main Board of the Stock Exchange for the past five years prior to the Last Trading Date, and up to and including the Latest Practicable Date (the “**Privatisation Precedents**”). We have adopted such longer time span of five years in our research for the Privatisation Precedents to obtain sufficient samples for our analysis. Although the Privatisation Precedents may have different market capitalisation as compared with the Company, we consider that the list of selected precedent privatisation proposals is exhaustive and a fair representation of transactions comparable to the Proposal.

It should also be noted that the precedent privatisation proposals were conducted under different market conditions. Therefore, the factors and considerations, such as the rationale behind the privatisation proposals, that affect the premia or discounts of cancellation prices vary on a case-by-case basis, and may be different from those applicable to the Scheme. Given that the Privatisation Precedents could provide us with a meaningful analysis of the market trend of the pricing of privatisation in the Hong Kong equity capital market for the property development companies, as well as a meaningful benchmark for the Disinterested Scheme Shareholders when evaluating the premium provided in the Proposal, we regard the Privatisation Precedents has reference value and is one of our analysis in assessing the Cancellation Price.

**Table 12 — List of successful privatisations of Hong Kong listed property companies in the past five years preceding the Last Trading Date and up to the Latest Practicable Date**

Company (Stock code)	Date of initial announcement	Market capitalisation as at the last trading date (HK\$ million)	Offer/cancellation price (HK\$)	Premium/(discount) of offer/cancellation price over/(to)					Reassessed NAV per share	Reported NAV per share	Premium/ (discount) of share price to NAV on the relevant last trading date																																				
				The relevant last trading date prior to announcement of privatisation	5-day average prior to the relevant last trading date	30-day average prior to the relevant last trading date	60-day average prior to the relevant last trading date	180-day average prior to the relevant last trading date																																							
Hopewell Holdings Limited (54)	5 December 2018	22,975.0	38.8	46.7%	48.8%	55.5%	54.1%	45.1%	(35.6)%	(43.0)%	(56.1)%																																				
Goldin Properties Holdings Limited (283)	29 March 2017	28,156.3	9.0	36.8%	40.0%	33.9%	30.4%	49.5%	101.3%	28.6%	47.2%																																				
Dalian Wanda Commercial Properties Co., Ltd. (3699)	30 May 2016	232,026.6	52.8	36.1%	40.1%	50.2%	44.6%	16.0%	13.3%	(10.8)%	(16.7)%																																				
<table><tr><td>High</td><td>46.7%</td><td>48.8%</td><td>55.5%</td><td>54.1%</td><td>49.5%</td><td>101.3%</td><td>28.6%</td><td>47.2%</td></tr><tr><td>Mean</td><td>39.9%</td><td>43.0%</td><td>46.5%</td><td>43.0%</td><td>36.9%</td><td>26.3%</td><td>(8.4)%</td><td>(8.5)%</td></tr><tr><td>Median</td><td>36.8%</td><td>40.1%</td><td>50.2%</td><td>44.6%</td><td>45.1%</td><td>13.3%</td><td>(10.8)%</td><td>(16.7)%</td></tr><tr><td>Low</td><td>36.1%</td><td>40.0%</td><td>33.9%</td><td>30.4%</td><td>16.0%</td><td>(35.6)%</td><td>(43.0)%</td><td>(56.1)%</td></tr></table>												High	46.7%	48.8%	55.5%	54.1%	49.5%	101.3%	28.6%	47.2%	Mean	39.9%	43.0%	46.5%	43.0%	36.9%	26.3%	(8.4)%	(8.5)%	Median	36.8%	40.1%	50.2%	44.6%	45.1%	13.3%	(10.8)%	(16.7)%	Low	36.1%	40.0%	33.9%	30.4%	16.0%	(35.6)%	(43.0)%	(56.1)%
High	46.7%	48.8%	55.5%	54.1%	49.5%	101.3%	28.6%	47.2%																																							
Mean	39.9%	43.0%	46.5%	43.0%	36.9%	26.3%	(8.4)%	(8.5)%																																							
Median	36.8%	40.1%	50.2%	44.6%	45.1%	13.3%	(10.8)%	(16.7)%																																							
Low	36.1%	40.0%	33.9%	30.4%	16.0%	(35.6)%	(43.0)%	(56.1)%																																							
The Proposal	17 January 2021	1,855.2	8.0	120.4%	122.2%	119.8%	109.4%	79.0%	(70.2)%	(68.3)%	(85.1)%																																				

Sources: Scheme documents, circulars of respective listed companies, and Bloomberg

Notes:

- We have excluded the privatisation of Wheelock and Company Ltd. (Stock code: 20) from the list of Privatisation Precedents as the scheme shareholders not only received cash consideration of HK\$12.00, but also receiving the share of one share of Wharf Real Estate Investment Company Limited (Stock code: 1997) and one share of Wharf (Holdings) Limited (Stock code: 4) by way of distribution in specie.
- We noted that the privatisation proposal of Polytec Asset Holdings Limited (Stock code: 208) was announced on 21 January 2021, which was not included in the list of Privatisation Precedents as it has not been completed as at the Latest Practicable Date.

As shown in the table above, all the offer, or cancellation prices of the Privatisation Precedents represent premiums over the then prevailing market prices of the relevant shares prior to the initial announcement of the privatisation over the last trading date, or periods indicated. As shown in the table above, the offer, or cancellation prices of the Privatisation Precedents ranged from:

- (a) a premium of approximately 36.1% to approximately 46.7% over the respective last trading date with a mean and median premium of 39.9% and 36.8%;
- (b) a premium of approximately 40.0% to approximately 48.8% over the respective average closing prices of their shares for the last five trading days up to and including the last trading date with a mean and median premium of 43.0% and 40.1%;
- (c) a premium of approximately 33.9% to approximately 55.5% over the respective average closing prices of their shares for the last 30 trading days up to and including the last trading date with a mean and median premium of 46.5% and 50.2%;
- (d) a premium of approximately 30.4% to approximately 54.1% over the respective average closing prices of their shares for the last 60 trading days up to and including the last trading date with a mean and median premium of 43.0% and 44.6%;
- (e) a premium of approximately 16.0% to approximately 49.5% over the respective average closing prices of their shares for the last 180 trading days up to and including the last trading date with a mean and median premium of 36.9% and 45.1%;
- (f) a discount of approximately 35.6% to a premium of approximately 101.3% to the respective reported NAV per share with a mean and median premium of 26.3% and 13.3%; and
- (g) a discount of approximately 43.0% to a premium of approximately 28.6% to the respective reassessed NAV per share with a mean and median discount of 8.4% and 10.8%.

The premiums offered by the Cancellation Price over the Last Trading Date, 5, 30, 60 and 180 trading days (up to and including the Last Trading Date) average Share price are approximately 120.4%, 122.2%, 119.8%, 109.4% and 79.0%, respectively. Accordingly, the premiums represented by the Cancellation Price over the Last Trading Date, 5, 30, 60 and 180 trading days (up to and including the Last Trading Date) average Share price are all above the highest premiums represented by the Privatisation Precedents. However, the Cancellation Price of HK\$8.00 per Share represents a discount of approximately 68.3% to the Reassessed NAV per Share

(having excluded the Second Interim Dividend) of the Group of HK\$25.21 per Share, which is above the highest discount of approximately 43.0% among the Privatisation Precedents.

As illustrated in the above analysis, the comparison of the discount of the Cancellation Price to the Reassessed NAV of the Group per Share to those of the Privatisation Precedents shows a higher discount to NAV than the Privatisation Precedents. However, we do not consider that this is the only factor to determine the fairness and reasonableness of the Cancellation Price in terms of value of asset backing. As the Shares have been traded at substantial discounts to the NAV of the Group per Share at all times during the Review Period as discussed above, the historical premiums and, or discounts of Share prices over, or to the NAV per Share should also be taken into consideration in the assessment of the Cancellation Price. In this case, it is apparent that the Shares have been traded at a greater discount to NAV before the publication of Joint Announcement than the other Privatisation Precedents as seen in the table above. This is compensated by the fact that the Cancellation Price is at a much higher premium over the pre-announcement price than any of the Privatisation Precedents. Please refer to “VI. BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION — Reasons for, and benefits of, the Proposal — (b) Considering the historical discounts to NAV per Share” section above for our detailed analysis.

#### **Potential for other proposals**

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties hold approximately 77.07% of the issued share capital of the Company.

Under Rule 31.1 of the Takeovers Code, in the event the Scheme is withdrawn or lapses, the Offeror and persons acting in concert with it, except with the permission of the Executive, will not be allowed to make a further offer for the Company within 12 months of the Scheme lapsing or being withdrawn. Furthermore, the Offeror has indicated that it holds such Shares as a long-term investment. Accordingly, the Scheme Shareholders should not expect another privatisation proposal from the Offeror and the Offeror Concert Parties, or any offer from the third parties during such period (if the Scheme is withdrawn or lapses).

#### **Future intentions of the Offeror and outlook of the Group**

The Group has been investing substantial resources in the property development and investment businesses in the PRC. Accordingly, as discussed in the section headed “PART VI. EXPLANATORY STATEMENT — 10. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP”, following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its property development, property investment and leasing business, as well as to maintain the Company’s investment in CREI, to continue to carry on its renewable energy business. As advised by the Company, the implementation of the Proposal will have no financial or operational impact on CREI.

Moreover, the Offeror has no intention to obtain a listing of the Shares on other market or to make major changes to the business of the Group and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating the business, structure and, or direction of the Group.

Going forward, the Group will seek to maintain a balance between residential development for sale and commercial investment properties for lease, as well as the investment in the renewable energy sector, in order to maintain a sustainable business model.

### ***Overall outlook***

As discussed in the Company's 2020 annual results announcement, the Group has been facing uncertainty in its outlook due to the continuing impact of COVID-19 pandemic around the world resulting in generally negative worldwide growth and recession, as well as trade tensions between the PRC and the United States. However, the economy is expected to continue improving in 2021, particularly given the PRC has been able to control COVID-19 and the expectation that vaccine rollouts will immunise much of the population from the disease.

According to information published by the National Bureau of Statistics of the PRC, the year-on-year ("YoY") growth in gross domestic product ("GDP") for the PRC was approximately 2.3% in 2020 (2019: 6.1%), underscoring the impact of COVID-19 pandemic on the economy. Nevertheless, the PRC economy improved in the third and fourth quarters of 2020 with growth rates of 4.9% and 6.5%, respectively, as compared to negative growth of approximately 6.8% for the first quarter of 2020 and the growth rate of approximately 3.2% for the second quarter of 2020.

The continuing impact of COVID-19 around the world, resulting in negative worldwide growth and recession, as well as trade tension with the United States, will continue to adversely impact the Chinese economy and the property markets. The PRC government's plans to reduce risks in the property industry by limiting leverage will have an additional impact on the industry.

The downturn in the PRC economy during 2020 as a result of COVID-19 pandemic has led to the growth rate of GDP decreasing by 3.8% YoY, which has also led to the decrease of 1.3% in the growth rate of demand for power (being 7,511,000 GWh). However, despite the decrease in the growth rate of demand for power, wind and solar power capacity continued to increase during this period. Total wind power output was 466,500 GWh in 2020, representing an increase of around 15% as compared to 2019, and accounting for 6% of total power generation across the country. Total solar power output was 260,500 GWh, an increase of around 16% compared to 2019, accounting for 3% of total power generation across the country.



*PRC government policies*

As mentioned in the section headed “PART VI. EXPLANATORY STATEMENT — 9. REASONS FOR AND BENEFITS OF THE PROPOSAL”, the property market in the PRC was cooling as the PRC economy slowed down and the PRC authorities restrained speculative activities and tightened credit for the property sector, including restrictions on purchases, sales, price, and lending to the sector in 2018. In August 2020, the People’s Bank of China and the Ministry of Housing of the PRC introduced further restrictions on property developers by assessing them against three metrics (the “**345 De-leveraging Rules**”), which included (i) a 70% ceiling on liabilities to assets, excluding advance proceeds from projects sold on contract; (ii) a 100% cap on net debt to equity; and (iii) a minimum cash to short-term borrowing of one. As a result, these requirements are expected to exert pressure on the property developers in the PRC to sell off assets in order to reduce leverage. Nevertheless, property developers with stronger balance sheets such as the Group may not be affected. Further, the Group may be able to take advantage of opportunities arising because of sales by the 345 De-leveraging Rules.

On the other hand, owing to the adverse impact by the COVID-19 pandemic, the PRC government has introduced certain measures to provide support to the property market in the first half of 2020. Such measures include (i) a 50-basis point cut to the Reserve Requirement Rate; (ii) a circular by the China Banking and Insurance Regulatory Commission requiring banks to extend credit support to enterprises and individuals affected by the epidemic; (iii) delaying tax and land premium payments; and (iv) lowering the required size of land transfer fees.

Regarding the renewable energy sector, the PRC government has also issued a series of policies and notices in 2020 in relation to (i) the rights and duties of electric power companies; (ii) the construction of state-grid parity projects; (iii) the minimum compulsory renewable power consumption target; and (iv) the scale of subsidies to be determined based on revenue and expenditures.

On 12 December 2020, President Xi announced that China will voluntarily increase its contribution to the Paris Agreement and that by 2030, he expects non-fossil fuel energy to account for 25% of the country’s energy consumption. On 29 December 2020, the state-grid announced its goal for carbon emissions to reach a peak by 2030 and for the country to be carbon neutral by 2060. It is expected that by 2030, carbon emission will drop by 65% when compared to 2005 and the aggregate total of wind power capacity and solar power capacity will increase to 1,200GW. These new targets are expected to have a positive impact on CREI’s wind farms as well as on future business developments. However, the renewable energy industry is also to continue facing challenges such as the removal of subsidies for new wind power projects and delays in the settlement of tariff subsidies as a result of a large deficit in the central government run renewable energy fund, resulting in higher accounts receivables.



*Overview of the commercial and residential properties sector in the PRC**— Residential properties — retail sales*

Set out below is the summary of the YoY movements in sales of residential building and floor space for residential buildings under construction and newly started in the PRC from 2016 to 2020.

**Table 13 — Movements in sales, floor space under construction and newly started of residential buildings in the PRC between 2016 and 2020**

	2016	2017	2018	2019	2020
Sale of residential buildings (YoY growth)	36.1%	11.3%	14.7%	10.3%	10.8%
Floor space for residential buildings under construction (million sq. m.)	5,213.1	5,364.4	5,699.9	6,276.7	6,555.6
Floor space for residential buildings under construction (YoY growth)	1.9%	2.9%	6.3%	10.1%	4.4%
Floor space of residential buildings newly started (YoY growth)	8.7%	10.5%	19.7%	9.2%	−1.9%

*Sources: National Bureau of Statistics of PRC, and Bloomberg*

As shown in Table 13 above, sales of residential units have experienced a slowdown in growth since 2018 while the supply of residential buildings floor space remained relatively stable in 2020 as compared with 2019. On the other hand, due to the PRC government's restrictions, and the impact of the COVID-19 pandemic, residential properties development projects newly started in 2020 recorded negative growth.

As discussed in the 2020 interim report of the Company, as a result of the strong contracted sales in the second half of 2019, the Group's recorded an increase in realised revenues from the residential sales during the first half of 2020 as compare to the corresponding period in 2019. Amid the challenging environment in the first half of 2020, the contracted sales were adversely impacted by the COVID-19 pandemic, with the sales offices closed and local governments encouraging people to remain at home. However, since then, as COVID-19 infections have been contained, and the PRC

government allowed the reopening of property sales offices and provided support for the property markets. For the second half of 2020, contracted sales reached RMB320.2 million (equivalent to approximately HK\$381.0 million), representing an increase of 82.0% compared to the first half of the year, although still down 5.0% compared to the same period in 2019. Overall, for the year ended 31 December 2020, property sales increased by approximately 29.5% to HK\$644.5 million compared to HK\$497.7 million in 2019.

According to the “Report on residential properties development in China 2020–2021” (《中國住房發展報告(2020–2021)》) published by The Chinese Academy of Social Sciences’ National Academy of Economic Strategy (中國社會科學院財經戰略研究院), the prices of residential properties in the PRC is expected to grow at a slower pace in 2021 at around 5.0% as compared to approximately 7.9% for the first 11 months in 2020. However, it is expected that the overall area sold annually will continue to increase in the absence of significant policy shifts or new external shocks. Further, the adverse effects of the COVID-19 pandemic are expected to decrease.

— *Commercial properties — leasing*

As mentioned in the section headed “PART VI. EXPLANATORY STATEMENT — 9. REASONS FOR AND BENEFITS OF THE PROPOSAL”, the leasing revenues of investment properties were negatively affected and recorded a 6.9% decrease in 2020 as compared to 2019. The demand for office and retail space declined as a result of the reduced business activities, the government’s encouragement of office workers to work from home, and oversupply of office properties. In addition, the government’s discouragement of people from leaving their homes and from group gatherings further reduced the foot traffic in the retail malls, which resulted in an adverse impact on the retail sales in the malls. Rental concessions provided by landlords, including the Group, coupled with a declining occupancy rate exerted further downward pressure on rental yields. While the revenue from property development sector has improved in the second half of 2020 as compared to the first half of 2020, there has not been much improvement in leasing revenues.

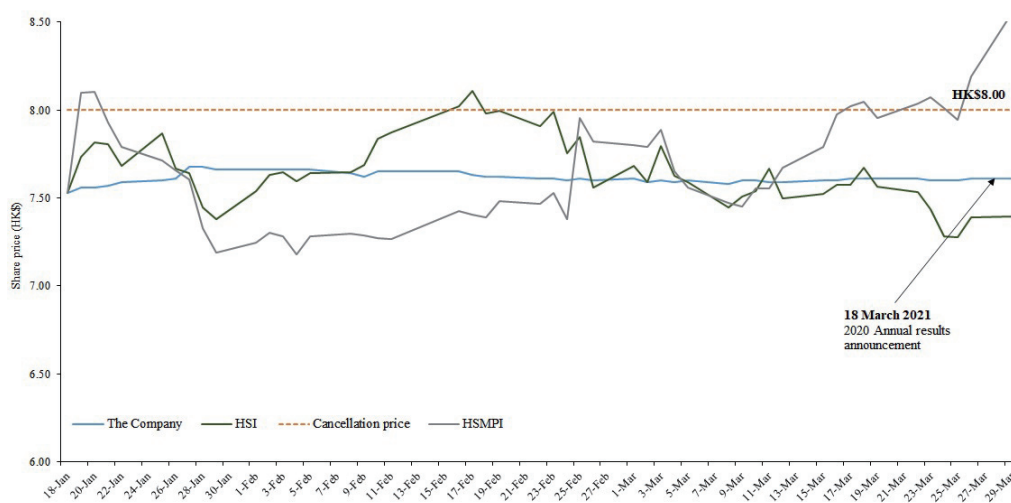
In Shanghai, where majority of the Group’s attributable GFA for lease is based, leasing demand for the first half of 2020 had been disappointing because of the COVID-19 pandemic. Some companies sought to downsize operations while others, both local and multinational companies, delayed expansion or even closed their offices. Due to the reduced demand for office space combined with the addition of new projects, occupancy rates for office spaces and shops at the Shanghai Landmark Center dropped by 3 percentage points and 2 percentage points, respectively, in 2020. According to 2020 annual results announcement of the Company, with landlords providing rental concessions, Grade A office effective rents fell by 7.0% to an average of RMB7.3 per square meter per day. This is somewhat reflected in the Group’s revenue from the property investment and leasing segment which decreased by approximately 6.9% to approximately HK\$333.4 million for 2020 from approximately HK\$358.0 million for 2019. However, the Company hopes for improvement in leasing over the upcoming year as business activity recovers.

Given (i) the extensive government policies and regulations the PRC government has put in place to slow down the real estate market since 2017 as discussed above; (ii) the uncertainty on the pace of recovery of the PRC economy after the COVID-19 pandemic; and (iii) the continuing Sino-US tensions, we concur with the view of the management of the Company that the future prospects of the Group's major business segments, the development and sales of residential properties and properties leasing, may be adversely affected and remain uncertain.

### Market responses to the Proposal after the release of the Joint Announcement

The chart below shows the relative performance of the Shares over the price of the Shares from the Last Trading Date up to the Latest Practicable Date.

**Chart 2 — Relative historical share price performance of the Shares after the release of the Joint Announcement up to the Latest Practicable Date**



Sources: Bloomberg and the Stock Exchange

Note: The closing price of the HSI and HSMPI have been rebased for ease of comparison.

The closing price of the Shares increased from HK\$3.63 on the Last Trading Date on 12 January 2021 to HK\$7.53 on 18 January 2021 (being the first trading date when the Shares resumed trading after the Joint Announcement), or increase of approximately 107.4%. Subsequently and up to the Latest Practicable Date, the market fell with the HSI decreasing from 28,863 to 28,338 during the same period. During the period after the release of the Joint Announcement, the Share price of the Company remained relatively stable with an average price of HK\$7.61 per Share. As at the Latest Practicable Date, the Share price was HK\$7.61, representing a discount of approximately 4.9% to the Cancellation Price. If the Proposal fails, it is probable that the price of the Shares will fall to the levels prior to the Joint Announcement.

**VIII. CONCLUSIONS AND RECOMMENDATION**

In making our recommendation, we have considered the foregoing and in particular the following principal reasons:

- (i) the Cancellation Price represents a premium ranging from approximately 79.0% to 122.2% over the closing prices of the Shares on the Last Trading Date, and over the last 5, 30, 60 and 180 trading days up to the Last Trading Date. This is an unusually high premium over the traded market price for privatisation proposals for companies listed in Hong Kong. It is also higher than the price of the Shares as traded over the past five years. Since the market price of the Shares and the premium over that price represented by the Cancellation Price must be, in the absence of any contradictory factors, the primary indication of the fairness of the Proposal, the size of the premium over the market price of the Shares prevailing before the Last Trading Date on its own is a strong indication of the fairness and reasonableness of the Proposal;
- (ii) the Share price has been partly supported by Share buybacks by the Company from September 2019 to July 2020, with the number of Shares being bought-back contributing up to approximately 62.7% of the trading volume during this period. However, with a headroom of only 0.24% before the minimum public float requirement is reached, the last Share buyback undertaken by the Company was on 3 July 2020 when the Share price closed at HK\$4.87, and since then the Share price dropped gradually and closed at HK\$3.63 on the Last Trading Date. It is unlikely the Company will be able to undertake any significant additional Share buyback under the current shareholding structure;
- (iii) the average daily trading volume of the Shares has been thin in general during the Review Period taking into consideration the Share buybacks, and the Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. The Proposal, therefore, represents an opportunity for the Shareholders to dispose of their entire holdings at the Cancellation Price of HK\$8.00 each, a price much higher than could be expected to be realised in the absence of the Proposal;
- (iv) the future prospects of the Group carry uncertainties around the PRC's overall economy, and the commercial and residential properties sectors;
- (v) the Cancellation Price implies a lower discount to NAV than its historical discounts to NAV;
- (vi) the P/E Ratio as implied by the Cancellation Price of 21.64 times which was higher than the median of those of the Comparable Companies on the Last Trading Date; while the P/B Ratio as implied by the Cancellation Price was 0.32 times which was higher than the mean and median P/B Ratios of those of the

Comparable Companies on the Last Trading Date. On this basis, we are of the view that the Cancellation Price, from the standpoint of the P/E Ratio and P/B Ratio as implied by the Cancellation Price analysis, is fair and reasonable;

- (vii) the premiums offered by the Cancellation Price over the Last Trading Date, 5, 30, 60 and 180 trading day (up to and including the Last Trading Date) average Share price are above the highest premiums represented by the Privatisation Precedents; and
- (viii) the payment the Cancellation Price of HK\$8.00 per Share in cash as well as the Second Interim Dividend of HK\$0.13 gives the Scheme Shareholders flexibility to redeploy capital invested in the Company at a time of considerable uncertainty on the prospects of the Group into other investments that they consider more attractive.

Accordingly, we consider the terms of the Proposal to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and advise the Independent Board Committee to recommend the Shareholders, Scheme Shareholders, or Disinterested Scheme Shareholders, where applicable, to vote in favour of the relevant resolutions to approve the Proposal and the Scheme. Shareholders who wish to realise their investment and are concerned that the Share price may fall below the current price of the Shares on the Stock Exchange due to the lapse of the Scheme may consider selling some or all of their Shares in the market at current market prices.

Yours faithfully,  
For and on behalf of  
**Anglo Chinese Corporate Finance, Limited**

**Stephen Clark**  
*Managing Director*

**Raymond Cheung**  
*Director*

1. *Mr. Stephen Clark is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.*
2. *Mr. Raymond Cheung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 9 years of experience in corporate finance.*

*This explanatory statement constitutes the statement required under Section 100 of the Companies Act.*

## **1. INTRODUCTION**

On 17 January 2021, the Offeror and the Company jointly announced that on 12 January 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act.

If the Proposal is approved and implemented, on the Effective Date:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished by way of the reduction of issued share capital of the Company, in exchange for the payment of the Cancellation Price of HK\$8.00 in cash for each Scheme Share cancelled;
- (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit amount arising in the books of account of the Company as a result of the aforesaid reduction of issued share capital of the Company in paying up in full at par such number of new Shares (credited as full paid) as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued to the Offeror;
- (c) the Company will be owned as to (i) approximately 32.17% by the Offeror; and (ii) approximately 67.83% by Creator Holdings Limited and Genesis Capital Group Limited, being Offeror Concert Parties which are ultimately beneficially wholly-owned by Mr. OEI; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide Scheme Shareholders with 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.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (i) the letter from the Board in Part III; (ii) the letter from the Independent Board Committee in Part IV; (iii) the letter from Anglo Chinese in Part V; and (iv) the terms of the Scheme as set out in Appendix IV to this Scheme Document.

## **2. THE PROPOSAL**

The Proposal will be implemented by way of the Scheme.

### **2.1 The Scheme**

Upon the Scheme becoming effective, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$8.00 in cash for every Scheme Share. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

As at the Latest Practicable Date, the Company had 511,074,246 Shares in issue. The Scheme Shares, comprising 147,149,308 Shares, represented approximately 28.79% of the issued share capital of the Company.

Save as disclosed above, the Company has no outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company as at the Latest Practicable Date.

The Cancellation Price of HK\$8.00 per Scheme Share represents:

- (a) a premium of approximately 120.39% over the closing price of HK\$3.63 per Share or a premium of approximately 128.57% over the ex-Second Interim Dividend closing price of HK\$3.50 per Share, as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 122.22% over the average closing price of HK\$3.60 per Share or a premium of approximately 130.55% over the ex-Second Interim Dividend average closing price of HK\$3.47 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 119.78% over the average closing price of HK\$3.64 per Share or a premium of approximately 127.92% over the ex-Second Interim Dividend average closing price of HK\$3.51 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 109.42% over the average closing price of HK\$3.82 per Share or a premium of approximately 116.80% over the ex-Second Interim Dividend average closing price of HK\$3.69 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;



- (e) a premium of approximately 78.97% over the average closing price of HK\$4.47 per Share or a premium of approximately 84.33% over the ex-Second Interim Dividend average closing price of HK\$4.34 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 5.12% over the closing price of HK\$7.61 per Share or a premium of approximately 6.95% over the ex-Second Interim Dividend closing price of HK\$7.48 per Share, as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a discount of approximately 70.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.81 as at 31 December 2020 or a discount of approximately 70.0% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$26.68 as at 31 December 2020 (having excluded the Second Interim Dividend) or a discount of approximately 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend).

During the six-month period preceding the Last Trading Date and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$7.68 per Share on 27 and 28 January 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.55 per Share on 8 January 2021.

The Cancellation Price has been determined after taking into account, among others, the prices and the discounts to NAV per Share at which the Shares have been traded on the Stock Exchange, and pricing premiums for recent privatisation transactions of companies listed on the Stock Exchange. In 2020, 22 privatisation proposals of companies listed on the Main Board of the Stock Exchange, which involved only cash consideration, were successful (either having been declared unconditional or approved by disinterested shareholders). The premiums represented by the cancellation price/offer price of those proposals over the closing share price on the last trading date and 5-, 30-, 60-, and 180-trading day average share price (up to and including the last trading date) are 4% to 150%, 6% to 158%, 8% to 120%, 17% to 114% and 23% to 143%, with medians of 34%, 46%, 54%, 59% and 43%, respectively. The premiums represented by the Cancellation Price, when compared with the average Share prices without excluding the Second Interim Dividend, are all within the ranges of the respective premiums of the aforesaid proposals, and substantially higher than all their medians. The premiums represented by the Cancellation Price, when compared with the ex-Second Interim Dividend 30-and 60- trading day average Share prices, are higher than the respective premiums of all the aforesaid proposals.



**The Cancellation Price of HK\$8.00 per Scheme Share will not be increased, and the Offeror does not reserve the right to do so.**

On 13 January 2021, the Board resolved to declare the payment to the Shareholders of the Second Interim Dividend of 13 HK cents per Share in lieu of a final dividend for the year ended 31 December 2020. The Second Interim Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on the Dividend Record Date. The Second Interim Dividend will be payable to the Shareholders within 30 days of the Dividend Record Date. The Second Interim Dividend is not conditional on the Proposal by having become effective and will not be deducted from the Cancellation Price.

If any dividend or other distribution (other than the Second Interim Dividend) is made or paid to Shareholders whose names appear on the register of members of the Company as at the record date for determining the entitlement to dividend (if any) declared by the Company on or before the Effective Date, the Shareholders will be entitled to receive such dividend (if any) and the amount of the Cancellation Price of each Scheme Share will be reduced by the same amount of such dividend per Share paid. The Company does not expect to declare any dividend or other distribution (other than the Second Interim Dividend) on or before the Effective Date.

## **2.2 Total consideration**

As at the Latest Practicable Date, the Scheme Shares comprised 147,149,308 Shares in issue, representing approximately 28.79% of the total issued share capital of the Company.

On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the total maximum cash consideration payable under the Proposal will be approximately HK\$1.18 billion.

The Offeror intends to finance the cash required for the Proposal from the internal cash resources.

Somerley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

## **3. CONDITIONS TO THE PROPOSAL AND THE SCHEME**

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

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders;
- (c) 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 SGM, to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and, immediately thereafter, to approve and give effect to the increase of the issued share capital of the Company to its former amount by applying the credit amount arising in the books of account of the Company as a result of the aforesaid reduction of the issued share capital of the Company in paying up in full at par such number of new Shares (credited as full paid) as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued to the Offeror;
- (d) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) compliance with the procedural requirements and conditions, if any, under the Companies Act in relation to the Scheme and the reduction of the issued share capital of the Company respectively;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and any other relevant jurisdictions;
- (g) all Authorisations (if any) 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 Proposal 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) 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 (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal 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 Proposal;

- (i) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of the Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained and remaining in effect;
- (j) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms;
- (k) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
  - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
  - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
  - (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,

in each case, which is material in the context of the Group as a whole or in the context of the Proposal or its implementation in accordance with its terms; and

- (l) since the Announcement Date:
  - (i) there having been no material adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
  - (ii) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court

against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

Conditions (a) to (e) cannot be waived. The Offeror reserves the right to waive all or any of Conditions (f) to (l), to the extent permissible by relevant laws and regulations, the Listing Rules and the Takeovers Code, either in whole or in respect of any particular matter. The Company does not have the right to waive any of the Conditions.

In respect of Condition (f), as at the Latest Practicable Date, the Offeror and the Company do not foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and any other relevant jurisdictions, save for the Authorisations already set out above as separate Conditions.

In respect of Condition (h), as at the Latest Practicable Date, the Offeror and the Company are not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order.

In respect of Condition (i), as at the Latest Practicable Date, the Offeror and the Company are not aware of any necessary consents in connection with the Proposal and the withdrawal of listing of the Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group apart from obtaining consents from several financial institutions in relation to a number of facility letters of the Group.

In respect of Condition (j), as at the Latest Practicable Date, the Offeror and the Company are not aware of any such non-compliance or regulatory requirement other than those already set out above as separate Conditions.

In respect of Conditions (k) and (l), as at the Latest Practicable Date, the Offeror and the Company are not aware of any such event or circumstance.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable).

Assuming that all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective on Tuesday, 18 May 2021 (Bermuda time) and the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Thursday, 20 May 2021 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in relation to the results of the Court Meeting and the SGM and, if all of the requisite resolutions to approve the Scheme are passed at those meetings, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

**WARNING: Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. 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.**

#### **4. THE SCHEME AND THE COURT MEETING**

Pursuant to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the 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 Court directs.

It is expressly provided in Section 99 of the Companies Act that if a majority in number representing three-fourths 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 (summoned as directed by the Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company.

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

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and

- (b) the number of votes cast by Disinterested Scheme 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 Scheme Shares held by all the Disinterested Scheme Shareholders.

## **6. BINDING EFFECT OF THE SCHEME**

If the Scheme is approved at the Court Meeting in accordance with the requirements of Section 99 of the Companies Act and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the Court and the other Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the SGM.

## **7. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$300,000,000 divided into 1,200,000,000 Shares of par value of HK\$0.25 each, and the Company had 511,074,246 Shares in issue.

As at the Latest Practicable Date, (i) the Offeror held 17,267,000 Shares, representing approximately 3.38% of the issued share capital of the Company; and (ii) Creator Holdings Limited and Genesis Capital Group Limited, being Offeror Concert Parties which are ultimately beneficially wholly-owned by Mr. OEI, held 346,657,938 Shares, representing approximately 67.83% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares.

As at the Latest Practicable Date, Mr. OEI and his wife, Mrs. OEI Valonia Lau, being the ultimate beneficial joint owners of the Offeror, are Offeror Concert Parties. Mr. OEI Tjie Goan is the father of Mr. OEI and is therefore deemed to be an Offeror Concert Party, and his Shares are held through a BVI company. Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are Directors and are therefore deemed to be Offeror Concert Parties. The Shares (i.e. 29,982,969 Shares in aggregate, representing approximately 5.87% of the issued share capital of the Company) held by Mr. OEI and his wife, Mrs. OEI Valonia Lau, Mr. OEI Tjie Goan, Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy will form part of the Scheme Shares.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders were interested in 117,166,339 Shares, representing approximately 22.93% of the issued share capital of the Company. Such Shares will form part of the Scheme Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective, assuming that there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital of the Company</i>
<b>Offeror<sup>(1)</sup></b>	17,267,000	3.38%	164,416,308	32.17%
<b>Offeror Concert Parties</b>				
<i>Shares held not subject to Scheme</i>				
— Creator Holdings Limited <sup>(2)</sup>	203,445,407	39.81%	203,445,407	39.81%
— Genesis Capital Group Limited <sup>(2)</sup>	<u>143,212,531</u>	<u>28.02%</u>	<u>143,212,531</u>	<u>28.02%</u>
Sub-total	346,657,938	67.83%	346,657,938	67.83%
<i>Shares held subject to Scheme</i>				
— Mr. OEI and Mrs. OEI Valonia Lau <sup>(3)</sup>	11,154,987	2.18%	—	—
— Mr. OEI Tjie Goan <sup>(3)</sup>	11,834,513	2.32%	—	—
— Mr. LEE Shiu Yee, Daniel <sup>(4)</sup>	7,200	0.00%	—	—
— Mr. WONG Jake Leong, Sammy <sup>(4)</sup>	<u>6,986,269</u>	<u>1.37%</u>	<u>—</u>	<u>—</u>
Sub-total	29,982,969	5.87%	—	—
<b>Sub-total: Offeror and Offeror Concert Parties</b>	393,907,907	77.07%	511,074,246	100.00%
<b>Disinterested Scheme Shareholders</b>	<u>117,166,339</u>	<u>22.93%</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><b>511,074,246</b></u>	<u><b>100.00%</b></u>	<u><b>511,074,246</b></u>	<u><b>100.00%</b></u>



*Notes:*

- (1) The Offeror is ultimately beneficially owned as to 50% by Mr. OEI and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau.
- (2) Each of Creator Holdings Limited and Genesis Capital Group Limited is ultimately beneficially wholly-owned by Mr. OEI.
- (3) Mr. OEI and his wife, Mrs. OEI Valonia Lau, being the ultimate beneficial joint owners of the Offeror, are Offeror Concert Parties. Mr. OEI Tjie Goan is the father of Mr. OEI and is therefore deemed to be an Offeror Concert Party, and his Shares are held through a BVI company. The 22,989,500 Shares held by Mr. OEI and his wife, Mrs. OEI Valonia Lau, and Mr. OEI Tjie Goan will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (4) Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy are Directors and are therefore deemed to be Offeror Concert Parties. The Shares held by Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (5) Due to rounding, the percentages may not add up to the total.

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

As at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties had received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the SGM.

**9. REASONS FOR AND BENEFITS OF THE PROPOSAL****9.1 For the Scheme Shareholders: an attractive opportunity to monetise their investment in the Company at a price with a compelling premium**

*(a) in light of the sluggish Share price and low liquidity in the absence of Share acquisitions by the Offeror and the Offeror Concert Parties or Share buybacks by the Company*

The ultimate beneficial owners of the Offeror, being also the controlling Shareholders, have shown commitment and support to the Company through acquisition of Shares, both on market and off market, throughout the past decade. Since September 2019, the Company has conducted Share buybacks in the market, utilizing its surplus cash with a view to support the Company's value as well as the Shareholders' investment. The Share price peaked at HK\$7.52 on 17 January 2020 in the last 12 months preceding the Last Trading Date, but started to fall when the Company ceased to buy back its Shares in February and March 2020 during blackout period. The Share price fell to HK\$4.40 on 19 March 2020. The Company resumed its buyback of the Shares in April 2020 and the Share price rebounded to slightly below HK\$6.00. However, owing to constraints imposed by the minimum public float requirement under the Listing Rules, the number of Shares bought back by the Company in April to July 2020 was only approximately 16% of the volume in January 2020. With a headroom of only approximately



0.24% before the minimum public float requirement is reached, the last Share buyback undertaken by the Company was on 3 July 2020 when the Share price closed at HK\$4.87. The Share price dropped gradually and closed at HK\$3.63 on the Last Trading Date. Owing to the constraints to maintain the minimal public float, further significant size Share buybacks by the Company or purchases in the market by the Offeror and the Offeror Concert Parties are unlikely and this removes a significant source of liquidity for the Shares.

The Offeror considers the Proposal will provide Scheme Shareholders with an attractive opportunity to realise their investment in the Company at a premium over the prevailing price of the Shares. The Cancellation Price is (i) higher than the highest closing Share price since 1 January 2016; and (ii) higher than the closing Share price in 2,232 trading days out of a total of 2,469 since 1 January 2011 until Last Trading Date. The Cancellation Price of HK\$8.00 per Share represents (i) a premium of approximately 120.39% over the closing price of HK\$3.63 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of approximately 119.78% over the average closing price of approximately HK\$3.64 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 Date; and (iii) a premium of approximately 109.42% over the average closing price of approximately HK\$3.82 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 Date.

The liquidity of the Shares has been at a relatively low level over a long period of time, especially when the controlling Shareholders are unable to buy in the market and Share buybacks were not being undertaken. The low trading liquidity of the Shares makes it difficult for Shareholders to execute on-market disposals without adversely affecting the price of the Shares. The Proposal provides the Scheme Shareholders with an opportunity to exit and realise their investments in the Company in full for cash at an attractive premium, as summarised above.

*(b) in light of the historical discounts to NAV per Share*

During the past decade, as mentioned above, the ultimate beneficial owners of the Offeror have been committed to supporting the Company through Share acquisitions and the Company conducted Share buybacks with surplus cash with an aim to enhance the Shareholders' value. Even so, the Shares have been traded at significant discounts to the NAV per Share, ranging from 68.56% to 86.79% in the past five years, out of which 80.70% to 85.69% during the period from 6 July 2020 to the Announcement Date (which is largely in line with the property comparable companies in Hong Kong) when there was no Share acquisition by the Offeror and the Offeror Concert Parties and Share buybacks by the Company as discussed above. The Company is therefore unable to effect any meaningful equity capital fund raising without diluting its NAV per Share. This is not a favourable situation from the perspective of either the Company or the Shareholders. The

Proposal will therefore provide the Scheme Shareholders with an opportunity to monetise their investment in the Company at a narrower discount to the NAV per Share, than they have been able to obtain in the market. The Cancellation Price represents a discount of 70.0% to the NAV per Share as at 31 December 2020 (having excluded the Second Interim Dividend) or a discount of 68.3% to the Reassessed NAV per Share (having excluded the Second Interim Dividend). Your attention is drawn to the property valuation report from Knight Frank Petty Limited, the text of which is set out in Appendix II to this Scheme Document, which sets out its opinion of value of the property interests of the Group as at 31 January 2021.

*(c) in light of the increased uncertainties over business outlook*

The Group has been investing substantial resources in its property development and investment businesses in the PRC. Following the 46% and 36% year-on-year decline in the sales proceeds from properties held for sale in 2018 and 2019 as a result of the slowdown of the PRC economy and the tightened credit policy by the PRC authorities to curb speculative activities in the property sector, it rebounded to increase by 29% in 2020 as compared to 2019 as disclosed in the Company's annual results announcement for the year ended 31 December 2020 but the contracted property sales in 2020 actually dropped by 6% year-on-year. Dampened by the recent Sino-US tension and COVID-19 pandemic, the leasing revenue declined by 7% as demand for offices and retail space declined given reduced business activities, reduced foot traffic at malls and the government's encouragement for office workers to work at home and oversupply. The decrease in the higher margin leasing revenue dragged down the Group's gross profit margin from 66% in 2019 to 56% in 2020. The operating performance fluctuations are liable to depress the Company's Share price as uncertainties such as the Sino-US tension and COVID-19 pandemic continue. The Proposal provides the Scheme Shareholders with a timely opportunity to realise their investments in the Company amid the increased uncertainties over its business outlook.

**9.2 For the Company: a proposal to facilitate flexibility in formulating long-term business development strategy and reducing costs incurred from maintaining a listing platform with a limited fund raising function**

Faced with the challenging market environment, changes in government regulations and uncertainties in Sino-US tension and COVID-19 situation, the Group may need to focus its resources and implement necessary measures to steer through a difficult period. The Proposal, if implemented, will help the Company focus on long-term development strategy and give the Company more flexibility and higher efficiency in supporting the long-term business development of the Company, free from the short-term profit expectation, the pressure of market expectations, share price fluctuations and compliance requirements associated with maintaining the listing status of the Company.

The listing platform has not been utilised effectively for any equity fund raising activities for the last five years. Due to the uncertainties over the Company's profitability brought by the negative economic headwind, heightening of geopolitical risks and COVID-19 which may have contributed to the underperformance of the Share price and the low liquidity in the trading of Shares, the Board considers that the ability of the Company to raise funds from the equity capital markets is limited and the current listing platform no longer serves as a practical channel for fund raising for the Group's business and long-term growth. The Directors have been striving to reduce corporate costs. The listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated.

Given that the Offeror and Offeror Concert Parties hold approximately 77.07% of the issued share capital of the Company and the Offeror has indicated that it holds such Shares as a long-term investment, it is unlikely that there will be proposals from third parties for the Shares held by the Scheme Shareholders.

#### **10. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP**

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its property development business, property investment and leasing business and maintain the Company's investment in China Renewable Energy Investment Limited (stock code: 987), to continue to carry on its renewable energy business. As confirmed by the Company, the implementation of the Proposal will have no financial or operational impact on China Renewable Energy Investment Limited. The Offeror has no intention to have the Shares listed in other markets and to make major changes to the business of the Group and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating the business, structure and/or direction of the Group.

#### **11. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the BVI and is an investment holding company. The Offeror is ultimately beneficially owned as to 50% by Mr. OEI, who is the chairman and chief executive officer of the Company, and as to the remaining 50% by his wife, Mrs. OEI Valonia Lau. The main assets of the Offeror are the Shares it holds in the Company as well as other listed investments.

The directors of the Offeror are Mr. OEI and Mrs. OEI Valonia Lau.

#### **12. INFORMATION ON THE COMPANY**

The Group is principally engaged in the business of property development and investment mainly in the PRC. It also invests, through its 56.00% owned subsidiary, China Renewable Energy Investment Limited (stock code: 987), in renewable energy projects in the PRC.

**13. SHARE CERTIFICATES, DEALINGS AND LISTING**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of 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 so that such withdrawal is to take place immediately following the Effective Date.

Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “Expected Timetable” in Part II of this Scheme Document.

**14. IF THE PROPOSAL IS NOT APPROVED OR LAPSES**

The Scheme will lapse if any of the 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 or the Proposal otherwise lapses.

If the Scheme is not approved by the Scheme Shareholders, or sanctioned by the Court, or the Proposal 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 the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

**15. COSTS OF THE SCHEME**

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, 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. Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme.

**16. REGISTRATION AND PAYMENT****16.1 Closure of the register of members of the Company**

In order to determine the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme, the register of members of the Company will be closed from Friday, 7 May 2021 onwards (or such other date as may be notified to the Scheme Shareholders by announcement). In order to qualify for entitlements under the Scheme, the Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names before the latest time for lodging transfer of Shares to qualify for entitlement to the Cancellation Price under the Scheme, being 4:30 p.m. on Thursday, 6 May 2021. The Share Registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**16.2 Payment of the Cancellation Price to the 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 Date as soon as possible but in any event within seven Business Days following the Scheme becoming effective. On the basis that the Scheme becomes effective on Tuesday, 18 May 2021 (Bermuda time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched on or before Friday, 28 May 2021.

Cheques for the payment of the Cancellation Price will be sent by posting the same by ordinary post in postage pre-paid envelopes 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. For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees Limited), cheques made out in the name of the nominee will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the nominee. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, Cancellation Price will be paid to HKSCC Nominees Limited by cheque and such payment will be caused to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of the Offeror, the Company, Somerley, Anglo Chinese, the Share Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments from such monies of the sums payable to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror (or its nominee) shall be released from any further obligation to make any payments under the Scheme.

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 Tuesday, 18 May 2021 (Bermuda 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 lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholders.

## **17. OVERSEAS SCHEME SHAREHOLDERS**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

This Scheme Document does not constitute an offer to buy or sell Shares or the solicitation of an offer to buy or subscribe for the Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The making and implementation of the Proposal to Scheme Shareholders who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdictions in which such Scheme Shareholders are located. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction; (ii)



disclose its content; or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

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 and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, filings and/or registrations which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes or expenses due from such Shareholder in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were 16 Shareholders (representing approximately 1% of the total number of the Shareholders) whose addresses as shown in the register of members of the Company were outside Hong Kong and those Shareholders together held 9,598 Shares (representing approximately 0.0019% of the total number of Shares in issue of the Company). Those 16 Shareholders included: 3 Shareholders whose registered addresses were in Australia, 4 Shareholders whose registered addresses were in Canada, 2 Shareholders whose registered addresses were in the Macau, 2 Shareholders whose registered addresses were in Malaysia, 1 Shareholder whose registered address was in New Zealand, 1 Shareholder whose registered address was in Singapore and 3 Shareholders whose registered addresses were in the United States.

The directors of the Offeror and the Board had been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers, including the Independent Financial Adviser, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC or HKSCC Nominees Limited will give, or be subject to, the above warranty and representation.

## 18. 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 on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are encouraged to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Cancellation Price under the Scheme would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

**It is emphasised that none of the Offeror, the Company, Somerley, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person as a result of their approval or disapproval of the Proposal. All Scheme Shareholders and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal.**

## 19. COURT MEETING AND SGM

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

Such a resolution will be passed under the Companies Act if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders (without counting the votes of the Scheme Shareholders not being Disinterested Scheme Shareholders) present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. However, the Scheme will only be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of a poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders.

Only Disinterested Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date may vote at the Court Meeting and will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 99 of the Companies Act. Each Scheme Shareholder will be counted as one member of the Company for the purposes of calculating the “majority in number” requirement under Section 99 of the Companies Act. In view of the interest of the Offeror and the Offeror Concert Parties, any and all Scheme Shareholders who are acting in concert with the Offeror are not entitled to, and will not, vote at the Court Meeting in respect of the resolution to approve the Scheme to be proposed at the Court Meeting. Accordingly, the 29,982,969 Scheme Shares held by the Offeror



Concert Parties will not be voted at the Court Meeting. Any other Scheme Shares held by any other person acting in concert with the Offeror will also not be voted at the Court Meeting. In accordance with the direction from the Court, for the purpose of calculating the “majority in number” requirement, HKSCC Nominees Limited will be counted as one member and may vote for or against the Scheme according to the majority of voting instructions as represented by the Scheme Shares it receives. 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 Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

Only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if Condition (b) in the section headed “3. Conditions to the Proposal and the Scheme” above is satisfied.

The SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to, among other things, reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares held by the Scheme Shareholders in exchange for the payment of the Cancellation Price of HK\$8.00 for each Scheme Share cancelled and, immediately thereafter, to approve and give effect to the increase of the issued share capital of the Company to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit amount arising in the books of account of the Company as a result of the aforesaid reduction of the issued share capital of the Company in paying up in full at par such number of new Shares (credited as full paid) as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued to the Offeror.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the SGM. The Offeror has indicated that, if the Scheme is approved at the Court Meeting, the Offeror will vote in favour of the special resolution(s) to be proposed at the SGM.

Voting at the Court Meeting and at the SGM will be taken by poll as required under the Bye-Laws, the Listing Rules and the Takeovers Code.

Announcement(s) will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM 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 SGM are set out in Appendix V and Appendix VI of this Scheme Document, respectively.

**20. RECOMMENDATIONS**

Your attention is drawn to the following:

- (a) the letter from the Independent Board Committee in Part IV of this Scheme Document; and
- (b) the letter from Anglo Chinese in Part V of this Scheme Document which sets out the factors and reasons taken into account by Anglo Chinese in arriving at its advice to the Independent Board Committee.

**21. ACTIONS TO BE TAKEN**

Actions to be taken by the Scheme Shareholders are set out in the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document.

**22. FURTHER INFORMATION**

With a view to preventing and controlling the spread of the COVID-19, the Company will implement the following precautionary measures at the Court Meeting and the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
- (c) no refreshment will be served, and there will be no corporate gift; and
- (d) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Court Meeting/SGM and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent practicable. In view of the Regulation and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the Court Meeting and/or the SGM and only Shareholders and/or their proxies and relevant Court Meeting and/or SGM staff will be allowed entry into Court Meeting and/or SGM venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the Court Meeting and/or the SGM as may be necessary to avoid overcrowding.

**The Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the forms of proxy enclosed with this Scheme Document.**

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong Government, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Court Meeting and/or the SGM.

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

You should rely only on the information contained in this Scheme Document in order to vote your Shares at the Court Meeting and the SGM. None of the Offeror, the Company, Somerley, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

## **23. GENERAL**

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

## 1. FINANCIAL SUMMARY

The following summary financial information for each of the three years ended 31 December 2018, 2019 and 2020 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2018 (the “**2018 Annual Report**”) and 2019 (the “**2019 Annual Report**”), respectively, and the results announcement for the year ended 31 December 2020 published by the Company on 18 March 2021 (the “**2020 Results Announcement**”). The auditor’s reports issued by PricewaterhouseCoopers in respect of the Group’s audited consolidated financial statements for each of the three years ended 31 December 2018, 2019 and 2020 did not contain any qualifications.

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>	1,184.0	1,036.9	1,270.0
Cost of sales	<u>(521.8)</u>	<u>(354.5)</u>	<u>(629.2)</u>
<b>Gross profit</b>	662.2	682.4	640.8
Other income — net	235.6	120.7	135.2
Fair value adjustments on investment properties	(98.4)	91.9	696.5
Selling and distribution costs	(29.1)	(36.4)	(36.6)
Administrative expenses	(147.4)	(148.2)	(155.0)
Other and general expenses	<u>(153.3)</u>	<u>(66.7)</u>	<u>(43.3)</u>
<b>Operating profit</b>	469.6	643.7	1,237.6
Finance income	26.8	57.2	41.8
Finance costs	<u>(186.4)</u>	<u>(177.6)</u>	<u>(33.4)</u>
Finance (costs)/income — net	<u>(159.6)</u>	<u>(120.4)</u>	<u>8.4</u>
Share of results of associates	71.5	83.0	89.4
Share of results of a joint venture	<u>(68.5)</u>	<u>(152.5)</u>	<u>(65.9)</u>
<b>Profit before income tax</b>	313.0	453.8	1,269.5
Income tax expense	<u>(71.4)</u>	<u>(76.3)</u>	<u>(312.3)</u>
<b>Profit for the year</b>	<u><u>241.6</u></u>	<u><u>377.5</u></u>	<u><u>957.2</u></u>

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	(audited)	(audited)	(audited)
<b>Profit attributable to:</b>			
Equity holders of the Company	202.3	278.7	734.1
Non-controlling interests	<u>39.3</u>	<u>98.8</u>	<u>223.1</u>
	<u>241.6</u>	<u>377.5</u>	<u>957.2</u>
<b>Earnings per share attributable to equity holders of the Company</b> (expressed in HK cents per Share)			
Basic	<u>39.5</u>	<u>52.8</u>	<u>138.8</u>
Diluted	<u>39.3</u>	<u>52.0</u>	<u>138.3</u>
<b>Dividend per Share</b> (expressed in HK cents per Share)	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company	914.3	(35.9)	54.5
Non-controlling interests	<u>233.4</u>	<u>39.9</u>	<u>74.6</u>
	<u>1,147.7</u>	<u>4.0</u>	<u>129.1</u>
Total dividend for the year	<u>132.9</u>	<u>135.2</u>	<u>137.4</u>

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows (if provided) and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements can be found on pages 92 to 98 of the 2018 Annual Report published on 12 April 2019.

The 2018 Annual Report is posted on the Company’s website at [www.hkcholdings.com](http://www.hkcholdings.com). Please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/ltn20190412502.pdf>

The 2019 Financial Statements can be found on pages 93 to 100 of the 2019 Annual Report published on 22 April 2020.

The 2019 Annual Report is posted on the Company’s website at [www.hkcholdings.com](http://www.hkcholdings.com). Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200712.pdf>

The 2020 Financial Statements can be found on pages 1 to 5 of the 2020 Results Announcement published on 18 March 2021.

The 2020 Results Announcement is posted on the Company’s website at [www.hkcholdings.com](http://www.hkcholdings.com). Please see below a direct link to the 2020 Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0318/2021031801186.pdf>

The 2018 Financial Statements (but not any other part of the 2018 Annual Report), the 2019 Financial Statements (but not any other part of the 2019 Annual Report) and the 2020 Financial Statements (but not any other part of the 2020 Results Announcement) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

**3. INDEBTEDNESS STATEMENT**

As at the close of business on 31 January 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had outstanding borrowings of approximately HK\$3,000.9 million, amount due to a Shareholder of approximately HK\$195.6 million, unsecured loans from minority shareholders of approximately HK\$328.6 million and lease liabilities of approximately HK\$0.1 million.

The Group's bank loans were secured by legal charges on fixed assets, including investment properties, right-of-use assets, properties, plant and equipment with an aggregate carrying value of approximately HK\$11,452.6 million, trade receivables of approximately RMB157.4 million (equivalent to approximately HK\$189.3 million) and financial assets at fair value through profit or loss of approximately HK\$529.9 million.

As at 31 January 2021, the Group had arranged bank financing for certain property buyers and provided guarantees of approximately RMB13.5 million (equivalent to approximately HK\$16.3 million) in relation to the repayment obligation for those buyers. The guarantees were only a transitional arrangement for property buyers prior to the completion of mortgage registration and were pledged against property rights. They will be released once the mortgage registration is completed.

As at 31 January 2021, the Group provided a guarantee against borrowing of an associate, which amounted to approximately RMB48.0 million (equivalent to approximately HK\$57.7 million).

Balances denominated in Renminbi have been translated into Hong Kong dollars based on the exchange rate of RMB1.00 to HK\$1.2028.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debts securities issued and outstanding or authorised or otherwise created but unissued or other similar borrowings or indebtedness in the nature of borrowings including bank overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, any guarantees or other material contingent liabilities as at the close of business on 31 January 2021.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 January 2021.

**4. MATERIAL CHANGE**

As at the Latest Practicable Date, there had been no known material changes in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up).



*The following is the text of the letter, a summary of values and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose of incorporation in this Scheme Document, in connection with its opinion of value of the property interests of the Company as at 31 January 2021.*



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*The Directors*

HKC (Holdings) Limited  
9th Floor of Tower I  
South Seas Centre  
No 75 Mody Road  
Kowloon  
Hong Kong

1 April 2021

Dear Sirs,

**VALUATION OF VARIOUS PROPERTIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value various property interests exhibited to us by HKC (Holdings) Limited (the “**Company**”) and its subsidiaries in the Hong Kong Special Administrative Region (“**Hong Kong**”) and 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 values of these properties as at 31 January 2021.

**BASIS OF VALUATION**

Our valuation is our opinion of the market values of the property interests, which we would define 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 and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with “The HKIS Valuation Standards 2020” issued by the Hong Kong Institute of Surveyors and “The RICS Valuation — Global Standards 2020” issued by the Royal Institution of Chartered Surveyors and the requirements contained in the relevant provisions of Chapter 5 and Practice Note 12 of the Rules 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 the Securities and Futures Commission.

## **VALUATION METHODOLOGY**

We have valued the properties in Group II and Group V by Market Approach whenever market comparable transactions are available and assumed sale of property interests with the benefit of vacant possession.

We have valued the properties in Group I, Group III and Group IV by “Income Approach — Term and Reversion Method” by capitalization of the net income shown on tenancy schedules handed to us by the Company and made provisions for reversionary income potential. We have also made reference to sale evidence as available in the market.

We have valued the property interest in Group VI which is leased by the Company with reference to its profit rent originate from the lease term interest and its rights in sub-letting and/or transferring the lease term interest of the property.

We have valued the properties in Group VII which are held by the Company for future development in the PRC on the basis that the properties will be developed and completed in accordance with the development proposals provided to us. We have assumed that the approvals for the proposals have been obtained. In arriving at our opinion of value, we have made reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the completed development.

### **TITLE DOCUMENTS AND ENCUMBRANCES**

We have not been provided with any extract of title document relating to the properties in Hong Kong but we have caused land searches to be made at the Land Registry. We have not, however, searched the original documents to verify the ownership. We have been provided with extracts of documents in relation to the titles to the property interests in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied on the information and legal opinion dated 26 March 2021 given by the Company and its PRC legal adviser, Junhe Law Firm (the “**PRC legal adviser**”), regarding the title and other legal matters relating to the properties in the PRC.

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

### **SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Company and the legal opinion dated 26 March 2021 of the Company’s PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and/or its PRC legal adviser which is material to the valuation. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of the buildings, particulars of occupancy, tenancy summaries, site areas and floor areas and all other relevant information. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Company that no material facts have been omitted from the information provided.

### **INSPECTION AND STRUCTURAL CONDITION**

We have inspected the exterior of the properties valued and, where possible, the interior of the properties and the inspection was carried out by Kenneth Lok, our Manager, in January 2021 for the properties in Hong Kong and Ocean Ruan, our Senior Manager, Moira Zhou, our Senior Valuer and Wayne Luo, our Valuer in 2020 and 2021 for the properties in the PRC. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory.

**IDENTITY OF PROPERTIES TO BE VALUED**

We exercised reasonable care and skill (but will not have an absolute obligation to the Company) to ensure that the properties, identified by the property addresses in the instructions, is the properties inspected by us and contained within our valuation report.

**ENVIRONMENTAL ISSUES**

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

**COMPLIANCE WITH RELEVANT RULES AND REGULATIONS**

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any rules and regulations, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

**MARKET CONDITIONS EXPLANATORY NOTE: NOVEL CORONAVIRUS (COVID-19)**

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy — with real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks is possible.

The pandemic and the measures taken to tackle COVID-19 continues to affect economies and real estate markets both locally and globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

**MATERIAL VALUATION UNCERTAINTY**

As at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation — Global Standards. Consequently, in respect of these valuations less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

**REMARKS**

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. While the current market is influenced by various policies and regulations, increased complexity in international trade tensions, geopolitics, the recent regional health issue of outbreak of Novel Coronavirus is expected in fluctuations in real estate market. It must be recognised the regional health problem, changes in policy direction, mortgage requirements, international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical changes or other unexpected incidents after the valuation date may affect the values of the properties.

As advised by the Company, no potential tax liability would arise on the direct disposal of the properties in Groups I and II. For the properties in Groups III to VII, there may be potential tax liability which would arise if the property interests were to be sold. Should disposal of the property interests located in the PRC be conducted, the potential tax liabilities arising may include value-added tax (5% or 9% on the transaction amount), urban construction and maintenance tax (7% on the value-added tax), educational surcharge (3% on the value-added tax), local educational surcharge (2% on the value-added tax), corporation income tax (25% on net profit upon disposal); stamp duty (0.05% on transaction amount) and land appreciation tax (the applicable rate is ranging from 30% to 60% on the net appreciated amount less deductibles). For properties in Groups I and II, as confirmed by the Company as at the valuation date, the Company has no intention to sell the property yet and therefore there is no likelihood of any tax liability crystallising. For the properties in Groups III, IV, VI and VII, the likelihood of the relevant tax liability being crystallized is remote as the Company has no detail planning for the disposal of such properties yet. For the properties in Group V, those properties will be sold in due course. Thus, the likelihood of the relevant tax liability being crystallized is high.

**CURRENCY**

Unless otherwise stated, all sums of properties in Groups I and II are in Hong Kong Dollar and all sums of properties in Groups III to VII are in Renminbi.

Our summary of values and valuation report are attached.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Clement W M Leung**

*MFin MCIREA MHKIS MRICS RPS (GP)*

*RICS Registered Valuer*

*Executive Director,*

*Head of China Valuation & Advisory*

*Note:* Clement W M Leung, *MFin, MCIREA, MHKIS, MRICS, RPS (GP)*, is a qualified valuer who has about 28 years' experience in property valuation and consultancy services in the PRC and Hong Kong.

## SUMMARY OF VALUES

Property	Market value in existing state as at 31 January 2021	Interest attributable to the Company	Market value in existing state attributable to the Company as at 31 January 2021
<b>Group I — Property Held by the Company for Investment Purpose in Hong Kong</b>			
1. Unit Nos 3 (portion), 4, 5 and 6 (portion) of 9th Floor of Tower I, South Seas Centre, No 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK\$76,110,000	100%	HK\$76,110,000
<b>Sub-total:</b>	HK\$76,110,000		HK\$76,110,000
<b>Group II — Properties Held by the Company for Owner-Occupation in Hong Kong</b>			
2. Car Parking Spaces Nos 52 and 53 on Basement 2, East Ocean Centre, No 98 Granville Road, Tsim Sha Tsui Kowloon, Hong Kong	HK\$3,800,000	100%	HK\$3,800,000
3. Carpark No P5 on the Basement Floor South Seas Centre, No 75 Mody Road Tsim Sha Tsui, Kowloon, Hong Kong	HK\$1,850,000	100%	HK\$1,850,000
4. Unit Nos 1, 2, 3 (portion), 6 (portion) and S1 of 9th Floor of Tower I, South Seas Centre, No 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK\$117,080,000	100%	HK\$117,080,000
<b>Sub-total:</b>	HK\$122,730,000		HK\$122,730,000
<b>Total (Groups I and II):</b>	HK\$198,840,000		HK\$198,840,000



Property	Market value in existing state as at 31 January 2021	Interest attributable to the Company	Market value in existing state attributable to the Company as at 31 January 2021
<b>Group III — Properties Held by the Company for Investment Purpose in the PRC</b>			
5. Three apartment units, shops and car parks of CITIC Plaza, No 233 Tianhe Road North, Tianhe District Guangzhou, Guangdong Province The PRC	RMB1,209,570,000	40%	RMB483,828,000
6. Portion of 1st floor, 2nd floor and 58th floor, Shun Hing Square (also known as “ <b>King Land Building</b> ”), No 5002 Shennan Road East, Luohu District Shenzhen, Guangdong Province, The PRC	RMB201,200,000	100%	RMB201,200,000
7. Shopping Mall and Car Parking Spaces of Shun Hing Square (also known as “ <b>King Land Building</b> ”), No 5002 Shennan Road East, Luohu District Shenzhen, Guangdong Province, The PRC	RMB1,114,200,000	100%	RMB1,114,200,000
8. All shop units on Levels 1 to 3 of the retail podium (excluding Unit 105) and 69 car parking spaces in the Basement of South Ocean Centre No 2071 Dongmen Road Central, Luohu District, Shenzhen, Guangdong Province, The PRC	RMB202,520,000	100%	RMB202,520,000
9. Shanghai Landmark Center located at No 4 Sichuan North Road, Hongkou District, Shanghai, The PRC	RMB8,340,500,000	60%	RMB5,004,300,000
10. Various Portions in Zones A, B and C of Nanxun International Construction Materials Market located at Nanxun Economic Development Zone, No 2333 Qiang Hua Road, Nanxun, Huzhou Zhejiang Province, The PRC	RMB674,500,000	100%	RMB674,500,000
11. Units 1 to 7 on 28th Floor, City Centre Junctions of Xikang Road and Chengdu Road, Heping District, Tianjin, The PRC	RMB26,900,000	100%	RMB26,900,000
<b>Sub-total:</b>	<b>RMB11,769,390,000</b>		<b>RMB7,707,448,000</b>

Property	Market value in existing state as at 31 January 2021	Interest attributable to the Company	Market value in existing state attributable to the Company as at 31 January 2021
<b>Group IV — Property Held by the Company for Owner-occupation in the PRC</b>			
12. Two office units Nos 208 and 209 of Shun Hing Square (also known as “ <b>King Land Building</b> ”), No 5002 Shennan Road East, Luohu District, Shenzhen Guangdong Province, The PRC	RMB12,900,000	100%	RMB12,900,000
<b>Sub-total:</b>	<b>RMB12,900,000</b>		<b>RMB12,900,000</b>
<b>Group V — Properties Held by the Company for Sale in the PRC</b>			
13. Eka Garden located at Linjiang Road, Jiangmen, Guangdong Province, The PRC	RMB73,200,000	100%	RMB73,200,000
14. Eka Garden located at South Hongqi Road, Nankai District, Tianjin, The PRC	RMB113,800,000	100%	RMB113,800,000
15. Eka Garden located at Ningbo Road Heping District, Shenyang, Liaoning Province, The PRC	RMB152,900,000	100%	RMB152,900,000
16. Retail units in Zones B and C of Nanxun International Construction Materials Market located at Nanxun Economic Development Zone, No 2333 Qiang Hua Road, Nanxun, Huzhou Zhejiang Province, The PRC	RMB96,500,000	100%	RMB96,500,000
<b>Sub-total:</b>	<b>RMB436,400,000</b>		<b>RMB436,400,000</b>
<b>Group VI — Property Leased by the Company in the PRC</b>			
17. Legation Quarter No 23 Qianmen Dong Dajie Dongcheng District Beijing, The PRC	No Commercial Value	80.4%	No Commercial Value
<b>Sub-total:</b>	<b>No Commercial Value</b>		<b>No Commercial Value</b>

Property	Market value in existing state as at 31 January 2021	Interest attributable to the Company	Market value in existing state attributable to the Company as at 31 January 2021
<b>Group VII — Properties Held by the Company for Future Development in the PRC</b>			
18. A parcel of land located at eastern part of Tuanbo Lake within the Planned Tuanbo New City, Jinghai County Tianjin, The PRC	RMB2,470,000,000	100%	RMB2,470,000,000
19. A parcel of land located at Ningbo Road Heping District, Shenyang, Liaoning Province, The PRC	RMB848,700,000	100%	RMB848,700,000
	<b>Sub-total:</b>		
	<u>RMB3,318,700,000</u>		<u>RMB3,318,700,000</u>
<b>Total (Groups III to VII):</b>	<u><b>RMB15,537,390,000</b></u>		<u><b>RMB11,475,448,000</b></u>

## VALUATION REPORT

## Group I — Property Held by the Company for Investment Purpose in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
1. Unit Nos 3 (portion), 4, 5 and 6 (portion) of 9th Floor of Tower I, South Seas Centre, No 75 Mody Road, Tsim Sha Tsui, Kowloon Hong Kong	Tower I of South Seas Centre is a 10-storey office building (3/F to 12/F) erected over a 6-storey podium comprising a basement car park, 3-storey shopping arcade (LG/F, G/F, UG/F) and 2-storey offices (1/F to 2/F). The building was completed in 1982.	As at the date of the valuation, the property was subject to a tenancy for a term of one year commencing from 15 August 2020 at a monthly rent of HK\$181,688 exclusive of rates, government rent and management fees.	HK\$76,110,000 (HONG KONG DOLLARS SEVENTY SIX MILLION ONE HUNDRED AND TEN THOUSAND ONLY)
Situated within Kowloon Inland Lot No 10549	The property comprises four portions of office units on the 9th Floor of Tower 1 of South Seas Centre with a saleable area of approximately 425.03 sq. m. (4,575 sq. ft.).		(100% interest attributable to the Company: HK\$76,110,000)
	Kowloon Inland Lot No 10549 is held under Conditions of Sale No UB11135 for a term of 75 years commenced from 14 October 1977 renewable for a further term of 75 years. The annual Government Rent payable for the lot is HK\$1,000.		

## Notes:

- As at the date of valuation, the registered owner of the property was Sky Universe Limited, a wholly-owned subsidiary of the Company.
- As at the date of valuation, the property was subject to the following encumbrances registered in the Land Registry:
  - Occupation Permit No K6/82 vide memorial no UB2221695 dated 24 February 1982.
  - Deed of Mutual Covenant (re-registered vide memorial no UB2318649 dated 4 May 1982) vide memorial no UB2280641 dated 4 May 1982.
  - Letter of Compliance from Director of Public Works, Public Works Department (Crown Lands & Survey Office) vide memorial no UB2715206 dated 30 March 1982.
  - Letter of Compliance from Registrar General (Land Officer) vide memorial no UB2715207 dated 1 April 1982.
  - Mortgage in favour of Dah Sing Bank, Limited vide memorial no 17112002370067 dated 30 October 2017.
- According to the Tsim Sha Tsui Outline Zoning Plan No S/K1/28 approved on 3 December 2013, the property was situated within an area zoned for “Commercial” uses as at the date of valuation.
- In our valuation, we have adopted a capitalisation rate of 3.25% and we consider it is reasonable and in line with the market.

## Group II — Properties Held by the Company for Owner-Occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
2. Car Parking Spaces Nos 52 and 53 on Basement 2, East Ocean Centre, No 98 Granville Road, Tsim Sha Tsui, Kowloon Hong Kong  4/8,000th undivided shares of and in Kowloon Inland Lot No 10601	East Ocean Centre is a 15-storey office building built over two levels of basement completed in 1982. The whole of Basement Level 2 is designed for car parking purposes whilst the whole of Basement Level 1, Ground Floor and the 1st Floor are for retail purposes. The remaining upper floors of the building from 2nd Floor to 14th Floor is planned to accommodate office units.  The property comprises 2 covered car parking spaces on Basement Level 2.  Kowloon Inland Lot No 10601 is held under Conditions of Sale No UB11285 for a term of 75 years commenced from 9 January 1979 renewable for a further term of 75 years. The annual Government Rent payable for the lot is HK\$1,000.	As at the date of valuation, the property was owner-occupied.	HK\$3,800,000 (HONG KONG DOLLARS THREE MILLION AND EIGHT HUNDRED THOUSAND ONLY)  (100% interest attributable to the Company: HK\$3,800,000)

*Notes:*

1. As at the date of valuation, the registered owner of the property was Hong Kong Construction (HK) Limited (formerly known as Kumagai Gumi (Hong Kong) Limited), a wholly-owned subsidiary of the Company.
2. As at the date of valuation, the property was subject to the following encumbrances as registered in the Land Registry:
  - (i) Deed of Covenant (re-registered vide memorial no UB5190556 dated 1 May 1982) vide memorial no UB2260984 dated 1 May 1982.
  - (ii) Deed of Confirmation and Rectification of Assignments and Deed of Mutual Covenants vide memorial no UB5252264 dated 30 April 1992.
  - (iii) Deed of Confirmation of Assignment memorial no UB2319549 vide memorial no UB5299061 dated 30 March 1992.
3. According to the Tsim Sha Tsui Outline Zoning Plan No S/K1/28 approved on 3 December 2013, the property was situated within an area zoned for “Commercial” uses as at the date of valuation.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
3. Carpark No P5 on the Basement Floor, South Seas Centre, No 75 Mody Road, Tsim Sha Tsui, Kowloon Hong Kong  6/26,000th undivided shares of and in the Kowloon Inland Lot No 10549	South Seas Centre comprises two 10-storey office buildings (3/F to 12/F) erected over a 6-storey podium including a basement car park, 3-storey shopping arcade (LG/F, G/F, UG/F) and 2-storey offices (1/F to 2/F). The building was completed in 1982.  The property comprises a covered car parking space on the Basement Floor of South Sea Centre.  Kowloon Inland Lot No 10549 is held under Conditions of Sale No UB11135 for a term of 75 years commencing from 14 October 1977 renewable for a further term of 75 years. The annual Government Rent payable for the lot is HK\$1,000.	As at the date of valuation, the property was owner-occupied.	HK\$1,850,000 (HONG KONG DOLLARS ONE MILLION EIGHT HUNDRED AND FIFTY THOUSAND ONLY)  (100% interest attributable to the Company: HK\$1,850,000)

*Notes:*

1. As at the date of valuation, the registered owner of the property was Sky Universe Limited, a wholly-owned subsidiary of the Company.
2. As at the date of valuation, the property was subject to the following encumbrances registered in the Land Registry:
  - (i) Occupation Permit No K6/82 vide memorial no UB2221695 dated 24 February 1982.
  - (ii) Deed of Mutual Covenant (re-registered vide memorial no UB2318649 dated 4 May 1982) vide memorial no UB2280641 dated 4 May 1982.
  - (iii) Letter of Compliance from Director of Public Works, Public Works Department (Crown Lands & Survey Office) vide memorial no UB2715206 dated 30 March 1982.
  - (iv) Letter of Compliance from Registrar General (Land Officer) vide memorial no UB2715207 dated 1 April 1982.
3. According to the Tsim Sha Tsui Outline Zoning Plan No S/K1/28 approved on 3 December 2013, the property was situated within an area zoned for “Commercial” uses as at the date of valuation.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
4. Unit Nos 1, 2, 3 (portion), 6 (portion) and S1 of 9th Floor of Tower I, South Seas Centre, No 75 Mody Road, Tsim Sha Tsui Kowloon, Hong Kong  Situated within Kowloon Inland Lot No 10549	<p>Tower I of South Seas Centre is a 10-storey office building (3/F to 12/F) erected over a 6-storey podium comprising a basement car park, 3-storey shopping arcade (LG/F, G/F, UG/F) and 2-storey offices (1/F to 2/F). The building was completed in 1982.</p> <p>The property comprises four portions of office units and a storeroom on the 9th Floor of Tower 1 of South Seas Centre with a saleable area of approximately 608.97 sq. m. (6,555 sq. ft.) plus a storeroom of approximately 5.2 sq. m. (56 sq. ft.).</p> <p>Kowloon Inland Lot No 10549 is held under Conditions of Sale No UB11135 for a term of 75 years commenced from 14 October 1977 renewable for a further term of 75 years. The annual Government Rent payable for the lot is HK\$1,000.</p>	<p>As at the date of valuation, the property was owner-occupied.</p>	<p>HK\$117,080,000 (HONG KONG DOLLARS ONE HUNDRED SEVENTEEN MILLION AND EIGHTY THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: HK\$117,080,000)</p>

*Notes:*

1. As at the date of valuation, the registered owner of the property was Sky Universe Limited, a wholly-owned subsidiary of the Company.
2. As at the date of valuation, the property was subject to the following encumbrances registered in the Land Registry:
  - (i) Occupation Permit No K6/82 vide memorial no UB2221695 dated 24 February 1982.
  - (ii) Deed of Mutual Covenant (re-registered vide memorial no UB2318649 dated 4 May 1982) vide memorial no UB2280641 dated 4 May 1982.
  - (iii) Letter of Compliance from Director of Public Works, Public Works Department (Crown Lands & Survey Office) vide memorial no UB2715206 dated 30 March 1982.
  - (iv) Letter of Compliance from Registrar General (Land Officer) vide memorial no UB2715207 dated 1 April 1982.
  - (v) Mortgage in favour of Dah Sing Bank, Limited vide memorial no 17112002370067 dated 30 October 2017.
3. According to the Tsim Sha Tsui Outline Zoning Plan No S/K1/28 approved on 3 December 2013, the property was situated within an area zoned for “Commercial” uses as at the date of valuation.



Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021												
5. Three Apartment units, Shops and Car parks of CITIC Plaza No 233 Tianhe Road North, Tianhe District Guangzhou Guangdong Province The PRC  <i>(Please see Note 1 for detail)</i>	<p>CITIC Plaza (the “<b>Development</b>”) is situated on a parcel of land with a site area of approximately 23,126.80 sq. m. (248,937 sq. ft.) located at the northern side of Tianhe Road North amid Tianhe District in Guangzhou.</p> <p>The Development comprises a 75-storey office tower, two 38-storey twin-block apartment towers, all erected over a 5-storey retail/recreation podium plus 2 car parking basement levels underneath. The Development was complete in 1997.</p> <p>The property comprises 3 apartment units, portion of the retail podium and 691 car parking spaces of the Development. Details of the property schedule are listed in Note (1) below.</p> <p>Details of the approximate gross floor area of apartment and retail of the property are listed as follows:</p> <table border="0"> <tr> <td></td><td style="text-align: right;"><b>Approximate Gross Floor Area</b></td></tr> <tr> <td><b>Portion</b></td><td style="text-align: right;"><b>Area</b></td></tr> <tr> <td></td><td style="text-align: right;"><i>(sq. m.)</i></td></tr> <tr> <td>Residential</td><td style="text-align: right;">392.08</td></tr> <tr> <td>Retail</td><td style="text-align: right;"><u>34,984.88</u></td></tr> <tr> <td><b>Total:</b></td><td style="text-align: right;"><b><u><u>35,376.96</u></u></b></td></tr> </table> <p>The land use rights of the property has been granted for terms expiring on 29 September 2034 and 29 September 2064 for commercial and apartment uses respectively.</p>		<b>Approximate Gross Floor Area</b>	<b>Portion</b>	<b>Area</b>		<i>(sq. m.)</i>	Residential	392.08	Retail	<u>34,984.88</u>	<b>Total:</b>	<b><u><u>35,376.96</u></u></b>	<p>Portion of the retail portion of the property with a total gross floor area of approximately 30,846 sq. m. is currently let under various tenancies with the last term expiring in February 2027 yielding a total monthly rental of approximately RMB4,490,000 exclusive of management fees and services charges.</p> <p>The two basement levels are operated as a public fee-paying carpark.</p> <p>The remaining portion of the property is vacant.</p>	<p>RMB1,209,570,000 (RENMINBI ONE BILLION TWO HUNDRED NINE MILLION FIVE HUNDRED AND SEVENTY THOUSAND ONLY)</p> <p>(40% interest attributable to the Company: RMB483,828,000)</p> <p><i>(please see note 6)</i></p>
	<b>Approximate Gross Floor Area</b>														
<b>Portion</b>	<b>Area</b>														
	<i>(sq. m.)</i>														
Residential	392.08														
Retail	<u>34,984.88</u>														
<b>Total:</b>	<b><u><u>35,376.96</u></u></b>														

*Notes:*

1. The property comprises the following units:

**Apartment**

Unit No 3 on Level 24, Unit No 2 on Level 36 and Unit No 2 on Level 37 in Apartment Tower 2.

**Retail**

All shop units on Levels 1 to 4 of the retail podium (except Unit Nos 121 to 123, 137 to 140, 147, 250 and 251A) and portion on Level 5 of the retail podium.

**Car Park**

691 car parking spaces on Basements 1 and 2.

2. Pursuant to five Real Estate Title Certificates Nos Yue Fang Di Zheng Zi Di C2286636 to C2286640 all dated 3 December 2003 issued by Guangzhou Land Resource and Real Estate Administration Bureau, the title to retail portion of the property with total gross floor area of 34,297.59 sq. m. was vested in Kumagai SMC Development (Guangzhou) Limited (熊谷蛄殼發展(廣州)有限公司) for a land use rights term of 40 years commencing from 30 September 1994 for commercial use.
3. Pursuant to the Real Estate Title Certificate No Sui Zi Di 0140080260 dated 30 July 2009 issued by Guangzhou Land Resource and Real Estate Administration Bureau, the title to retail portion of the property with gross floor area of 687.29 sq. m. was vested in Kumagai SMC Development (Guangzhou) Limited for a land use rights term of 40 years commencing from 30 September 1994 for commercial use.
4. Pursuant to three Real Estate Title Certificates Nos Yue (2018) Guang Zhou Shi Bu Dong Chan Quan Di 02216618, 02216605 and 02216625 all dated 20 August 2018 issued by Guangzhou Land Resources and Real Estate Administration Bureau, the title to apartment portion of the property with a total gross floor area of 392.08 sq. m. was vested in Kumagai SMC Development (Guangzhou) Limited for a land use rights term of 70 years commencing from 30 September 1994 for residential use.
5. As advised by the Company, Kumagai SMC Development (Guangzhou) Limited is a wholly-owned subsidiary of Hong Kong Construction SMC Development Limited, which is a 40% owned associate of the Company.
6. Valuation of the car park portion of the property was implemented by making reference to its lease term interest and Kumagai SMC Development (Guangzhou) Limited's rights in transferring which in the open market.
7. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Kumagai SMC Development (Guangzhou) Limited has legally obtained the land use rights and building ownership of the property;
  - (ii) Kumagai SMC Development (Guangzhou) Limited can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of retail and residential portion of the property within the land use rights term as mentioned in Description and Tenure;
  - (iii) Kumagai SMC Development (Guangzhou) Limited can lease the car park portion of the property on long-term basis (not exceeding 20 years) and the long-term lease can be transferred; and
  - (iv) the property is free from mortgages and other encumbrances.
8. In our valuation, we have adopted a capitalisation rate of 6.25% for the retail portion of the property and we consider it is reasonable and in line with the market.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
6. Portion of 1st floor 2nd floor and 58th floor Shun Hing Square (also known as “ <b>King Land Building</b> ”) No 5002 Shennan Road East, Luohu District, Shenzhen Guangdong Province The PRC	<p>Shun Hing Square (the “<b>Development</b>”) is a large-scale commercial/residential composite development comprising a 27-storey apartment tower erected over a 5-storey shopping arcade and a 72-storey office tower completed in 1996. The Development is also equipped with car parking facilities in the lower ground level and basement level.</p> <p>The property comprises various office units on 1st floor, 2nd floor and whole of 58th floor of the office tower. The total gross floor area of the property is approximately 5,609.59 sq. m. (60,382 sq. ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years commencing from 2 January 1995 and expiring on 1 January 2045 for office, residential and commercial uses.</p>	Portion of the property with a total gross floor area of approximately 3,165 sq. m. is currently leased under various tenancies with the last term expiring in July 2025 yielding a total monthly rental of approximately RMB580,000 exclusive of management fees and services charges whilst the remaining portion of the property is vacant.	<p>RMB201,200,000 (RENMINBI TWO HUNDRED ONE MILLION AND TWO HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB201,200,000)</p>

*Notes:*

- Pursuant to three Real Estate Title Certificates, the title to portion of the Development including the property with a total gross floor area of 6,535.97 sq. m. was vested in Karbony Real Estate Development (Shenzhen) Co., Ltd. (祈福房地產開發(深圳)有限公司) for a land use rights term expiring from 1 January 2045 for office, residential and commercial uses. The details of the certificates are shown as follows:

Certificate No	Unit	Owner	Gross Floor Area	Date of Issuance
Shen Fang Di Zi Di 2000473445	Whole of 1/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	2,162.62 sq. m.	7 December 2009
Shen Fang Di Zi 2000473444	Whole of 2/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	2,162.62 sq. m.	7 December 2009
Shen Fang Di Zi Di 2000473441	Whole of 58/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	2,210.73 sq. m.	7 December 2009

As advised, portion at 1st floor and 2nd floor with a total gross floor area of 516.50 sq. m. and 409.88 sq. m. respectively were excluded in our valuation.

2. As advised by the Company, Karbony Real Estate Development (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Karbony Investment Limited, which is a wholly-owned subsidiary of the Company.
3. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Karbony Real Estate Development (Shenzhen) Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - (ii) Karbony Real Estate Development (Shenzhen) Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.
4. In our valuation, we have adopted a capitalisation rate of 6.0% and we consider it is reasonable and in line with the market.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
7. Shopping mall and Car Parking Spaces Shun Hing Square (also known as “ <b>King Land Building</b> ”), No 5002 Shennan Road East, Luohu District, Shenzhen Guangdong Province The PRC	<p>Shun Hing Square (the “<b>Development</b>”) is a large-scale commercial/residential composite development comprising a 27-storey apartment tower erected over a 5-storey shopping arcade and a 72-storey office tower completed in 1996. The Development is also equipped with car parking facilities in the lower ground level and basement level.</p> <p>The property comprises five retail levels of the shopping mall (Lower Ground Level, Upper Ground Level and Levels 2 to 4, except Shop Nos 109 to 110 on Upper Ground Floor) and 895 car parking spaces in the lower ground level and basement levels of the Development.</p> <p>According to the information provided, the total gross floor area of the shopping mall is approximately 21,103.77 sq. m. (227,161 sq. ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years commencing from 2 January 1995 and expiring on 1 January 2045 for office, residential and commercial uses.</p>	<p>Portion of the shopping mall with a total lettable area of approximately 9,003 sq. m. is subject to various tenancies with the last term expiring in January 2031 yielding a total monthly rental of approximately of RMB3,020,000 exclusive of management fees and services charges.</p> <p>The car parking spaces of the property are operated as a public fee-paying car park whilst the remaining portion of the property is vacant.</p>	<p>RMB1,114,200,000 (RENMINBI ONE BILLION ONE HUNDRED FOURTEEN MILLION AND TWO HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB1,114,200,000)</p> <p>(please see note 3)</p>

*Notes:*

- Pursuant to five Real Estate Title Certificates, the title to retail portion of the property with a total gross floor area of 21,103.77 sq. m. was vested in Karbony Real Estate Development (Shenzhen) Co., Ltd. (祈福房地產開發(深圳)有限公司) for a land use rights term of 50 years commencing from 2 January 1995 and expiring on 1 January 2045 for office, residential and commercial uses. The details of the certificates are shown as follows:

Certificate No	Level	Owner	Gross Floor Area	Date of Issuance
Shen Zhen Shi Bu Dong Chan Quan Zheng Zi Di 0172321	Whole of 4/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	4,891.28 sq. m.	22 October 2019
Shen Fang Di Zi Di 2000483730	Whole of 3/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	4,827.55 sq. m.	18 March 2005
Shen Zhen Shi Bu Dong Chan Quan Zheng Zi Di 0203712	Whole of 2/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	4,984.77 sq. m.	22 October 2019
Shen Fang Di Zi Di 2000466960	Whole of LG/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	2,770.03 sq. m.	18 March 2005
Shen Zhen Shi Bu Dong Chan Quan Zheng Zi Di 0203702	Whole of UG/F	Karbony Real Estate Development (Shenzhen) Co., Ltd.	3,630.14 sq. m.	22 October 2019

- As advised by the Company, Karbony Real Estate Development (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Karbony Investment Limited, which is a wholly-owned subsidiary of the Company.
- Valuation of the car park portion of the property was implemented by making reference to its lease term interest and Karbony Real Estate Development (Shenzhen) Co., Ltd.'s rights in transferring which in the open market.
- We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - Karbony Real Estate Development (Shenzhen) Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - Karbony Real Estate Development (Shenzhen) Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the retail portion of the property within the land use rights term as mentioned in Description and Tenure;
  - Karbony Real Estate Development (Shenzhen) Co., Ltd. can lease the car park portion of the property on long-term basis (not exceeding 20 years) and the long-term lease can be transferred; and
  - the property is free from mortgages and other encumbrances.
- In our valuation, we have adopted a capitalisation rate of 6.0% for the retail portion of the property and we consider it is reasonable and in line with the market.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
8. All shop units on Levels 1 to 3 of the retail podium (excluding Unit No 105 on Level 1) and 69 car parking spaces in the Basement of South Ocean Centre, No 2071 Dongmen Road Central, Luohu District, Shenzhen Guangdong Province The PRC	<p>South Ocean Centre (the “Development”) comprises two 25-storey residential towers erected on a 4-storey common commercial podium plus two car parking basement levels underneath. The Development was complete in 1995.</p> <p>The property comprises all shop units on Levels 1 to 3 of the retail podium (excluding Unit No 105) with a total gross floor area of approximately 6,363.54 sq. m. (68,497 sq. ft.) and 69 car parking spaces in the basement.</p> <p>The land use rights of the property has been granted for a term of 50 years commencing from 28 May 1993 and expiring on 27 May 2043 for commercial use.</p>	<p>The retail portion of the property is currently fully leased under various tenancies with the last term expiring in August 2026 yielding a total monthly rental of approximately RMB1,390,000, exclusive of management fees and services charges.</p> <p>The basement carpark is operated as a public fee-paying carpark.</p>	<p>RMB202,520,000 (RENMINBI TWO HUNDRED TWO MILLION FIVE HUNDRED AND TWENTY THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB202,520,000)</p> <p>(please see note 3)</p>

## Notes:

- Pursuant to 7 Real Estate Ownership Certificates all issued by Shenzhen Real Estate Ownership Registration Center, the title to retail podium of the property with a total gross floor area of 6,363.54 sq. m. was vested in Hong Kong Construction (China) Engineering Co., Ltd.. Details of the real estate ownership certificates are as follows:

Certificate No	Date	Site Area (sq. m.)	Land Use	Expiry Date	Gross Floor Area (sq. m.)	Use of Building
Shen Fang Di Zi Di 2000599131	13 November 2013	5,352.50	Commercial and residential	27 May 2043	348.89	Commercial
Shen Fang Di Zi Di 2000599133	13 November 2013	5,352.50	Commercial and residential	27 May 2043	442.32	Commercial
Shen Fang Di Zi Di 2000599130	13 November 2013	5,352.50	Commercial and residential	27 May 2043	93.66	Commercial
Shen Fang Di Zi Di 2000599129	13 November 2013	5,352.50	Commercial and residential	27 May 2043	305.20	Commercial
Shen Fang Di Zi Di 2000599125	13 November 2013	5,352.50	Commercial and residential	27 May 2043	94.75	Commercial
Shen Fang Di Zi Di 2000293526	22 March 2006	5,352.50	Commercial and residential	27 May 2043	2,401.02	Commercial
Shen Fang Di Zi Di 2000294280	24 March 2006	5,352.50	Commercial and residential	27 May 2043	2,677.70	Commercial

- As advised by the Company, Hong Kong Construction (China) Engineering Co., Ltd. is a wholly-owned subsidiary of the Company.



3. Valuation of the car park portion of the property was implemented by making reference to its lease term interest and Hong Kong Construction (China) Engineering Co., Ltd.'s rights in transferring which in the open market.
4. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Hong Kong Construction (China) Engineering Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - (ii) Hong Kong Construction (China) Engineering Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of retail portion of the property within the land use rights term as mentioned in Description and Tenure;
  - (iii) Hong Kong Construction (China) Engineering Co., Ltd. can lease the car park portion of the property on long-term basis (not exceeding 20 years) and the long-term lease can be transferred; and
  - (iv) the property is free from mortgages and other encumbrances.
5. In our valuation, we have adopted a capitalisation rate of 8.0% for the retail portion of the property and we consider it is reasonable and in line with the market.

			Market Value in existing state as at 31 January 2021																				
Property	Description and tenure	Particulars of occupancy																					
9. Shanghai Landmark Center located at No 4 Sichuan North Road Hongkou District Shanghai, The PRC	<p>Shanghai Landmark Center (the “Development”) is a large-scale composite development comprising a shopping arcade, two office towers with ancillary car parking spaces erected on two parcels of adjoining land with a total site area of 28,139.42 sq. m. (302,893 sq. ft.).</p> <p>The property comprises the whole of the Development with a total gross floor area of approximately 245,874 sq. m. (2,646,588 sq. ft.) completed in about 2017 and 2018. The details of the area breakdown are as follows:</p> <table><thead><tr><th>Usage</th><th>Approximate Gross Floor Area (sq. m.)</th></tr></thead><tbody><tr><td colspan="2"><b>Above Ground</b></td></tr><tr><td>Office</td><td>118,707</td></tr><tr><td>Retail</td><td><u>41,001</u></td></tr><tr><td>Subtotal:</td><td><u>159,708</u></td></tr><tr><td colspan="2"><b>Below Ground</b></td></tr><tr><td>Retail</td><td>31,501</td></tr><tr><td>Car Park &amp; others (1,008 car parking spaces)</td><td><u>54,665</u></td></tr><tr><td>Subtotal:</td><td><u>86,166</u></td></tr><tr><td><b>Total:</b></td><td><u><u>245,874</u></u></td></tr></tbody></table> <p>The land use rights of the Development has been granted for a term commencing from 31 July 2018 and expiring on 18 January 2044 for office and commercial uses.</p>	Usage	Approximate Gross Floor Area (sq. m.)	<b>Above Ground</b>		Office	118,707	Retail	<u>41,001</u>	Subtotal:	<u>159,708</u>	<b>Below Ground</b>		Retail	31,501	Car Park & others (1,008 car parking spaces)	<u>54,665</u>	Subtotal:	<u>86,166</u>	<b>Total:</b>	<u><u>245,874</u></u>	<p>Office portion and retail portion of the property with a total gross floor area of approximately 47,312 sq. m. and a total lettable area of approximately 13,018 sq. m. are currently let under various tenancies with the last term expiring in February 2029 yielding a total monthly rental of approximately RMB10,380,000 and RMB2,620,000 respectively exclusive of management fees and services charges.</p> <p>Office portion of the property with a total gross floor area of approximately 434 sq. m. is owner-occupied whilst the remaining portion of the property is vacant.</p>	<p>RMB8,340,500,000 (RENMINBI EIGHT BILLION THREE HUNDRED FORTY MILLION AND FIVE HUNDRED THOUSAND ONLY)</p> <p>(60% interest attributable to the Company: RMB5,004,300,000)</p>
Usage	Approximate Gross Floor Area (sq. m.)																						
<b>Above Ground</b>																							
Office	118,707																						
Retail	<u>41,001</u>																						
Subtotal:	<u>159,708</u>																						
<b>Below Ground</b>																							
Retail	31,501																						
Car Park & others (1,008 car parking spaces)	<u>54,665</u>																						
Subtotal:	<u>86,166</u>																						
<b>Total:</b>	<u><u>245,874</u></u>																						

*Notes:*

1. Pursuant to the Real Property Ownership Certificate No Hu (2020) Hong Zi Bu Dong Chan Quan Di 016314 dated 24 December 2020, the title to the Development with a total gross floor area of 238,943.23 sq. m. was vested in Shanghai Guangtian Real Estate Co., Ltd. (上海廣田房地產開發有限公司) for a land use rights term commencing from 31 July 2018 and expiring on 18 January 2044 for office and commercial uses.
2. As per your specific terms of instruction to provide the breakdown of market value for owner-occupied portion of the property, the breakdown of the market value of the aforesaid portion as at the date of valuation is listed below:

<b>Tower</b>	<b>Unit</b>	<b>Gross Floor Area</b> (sq. m.)	<b>Market Value as at</b> <b>31 January 2021</b>
2	504	434	RMB21,890,000

3. As advised by the Company, HKC (Shanghai Guangtian) Holdings Limited and Hong Kong Construction (China) Engineering Co., Ltd own 41.22% and 18.78% equity interests in Shanghai Guangtian Real Estate Co., Ltd. respectively, both HKC (Shanghai Guangtian) Holdings Limited and Hong Kong Construction (China) Engineering Co., Ltd are wholly-owned subsidiaries of the Company.
4. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Shanghai Guangtian Real Estate Co., Ltd. has legally obtained the land use rights and building ownership of the Development;
  - (ii) the Development is subject to mortgage;
  - (iii) the Development can be legally occupied, used, transferred, leased, mortgaged or handled in other ways by Shanghai Guangtian Real Estate Co., Ltd. within the land use rights term as mentioned in Description and Tenure subject to prior written approval from the mortgagee; and
  - (iv) apart from the mortgage mentioned in note 4 (ii), the Development is free from mortgages and other encumbrances.
5. In our valuation, we have adopted capitalisation rates of 5.0% and 6.25% for the office and retail portions of the property respectively and we consider they are reasonable and in line with the market.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021																																				
10.	Various Portions in Zones A, B and C of Nanxun International Construction Materials Market located at Nanxun Economic Development Zone No 2333 Qiang Hua Road, Nanxun Huzhou, Zhejiang Province, The PRC	<p>Nanxun International Construction Materials Market (the “<b>Development</b>”) is a 3 to 6 storeys construction materials and ornaments mall divided into three zones, namely Zone A, Zone B and Zone C.</p> <p>The Development is developed by two phases. Phase 1 comprises Zones B and C and Phase 2 comprises Zone A complete in about 2009 and 2020 respectively.</p> <p>The property comprises retail units scattered on Levels 1,2, 3 and 4 of Zone A and Zone B, Levels 1, 2 and 3 of Zones C with a total gross floor area of approximately 120,357.52 sq. m.. The area breakdown is as follows:</p> <table><thead><tr><th>Zone A</th><th>Approximate Gross Floor Area (sq. m.)</th></tr></thead><tbody><tr><td>Level 1</td><td>5,408.63</td></tr><tr><td>Level 2</td><td>5,942.42</td></tr><tr><td>Level 3</td><td>6,270.42</td></tr><tr><td>Level 4</td><td>6,225.11</td></tr><tr><td>Sub-Total:</td><td>23,846.58</td></tr><tr><td>Zone B</td><td></td></tr><tr><td>Level 1</td><td>13,754.92</td></tr><tr><td>Level 2</td><td>17,672.21</td></tr><tr><td>Level 3</td><td>19,884.37</td></tr><tr><td>Level 4</td><td>2,362.00</td></tr><tr><td>Sub-Total:</td><td>53,673.50</td></tr><tr><td>Zone C</td><td></td></tr><tr><td>Level 1</td><td>11,816.95</td></tr><tr><td>Level 2</td><td>14,885.45</td></tr><tr><td>Level 3</td><td>16,135.04</td></tr><tr><td>Sub-Total:</td><td>42,837.44</td></tr><tr><td>Total:</td><td>120,357.52</td></tr></tbody></table> <p>In addition, the property also comprises a total gross floor area of 3,453.97 sq. m. on Levels 4 to 6 in Zone B which is currently self-occupied as office use.</p> <p>The property also comprises twelve basement car parks in Zone A.</p> <p>The land use rights of the property has been granted for a term expiring on 25 February 2047 for commercial use.</p>	Zone A	Approximate Gross Floor Area (sq. m.)	Level 1	5,408.63	Level 2	5,942.42	Level 3	6,270.42	Level 4	6,225.11	Sub-Total:	23,846.58	Zone B		Level 1	13,754.92	Level 2	17,672.21	Level 3	19,884.37	Level 4	2,362.00	Sub-Total:	53,673.50	Zone C		Level 1	11,816.95	Level 2	14,885.45	Level 3	16,135.04	Sub-Total:	42,837.44	Total:	120,357.52	<p>Portion of the property in Zone A with a total gross floor area of approximately 3,881 sq. m. is leased under various tenancies with the last term expiring in February 2023 yielding a total monthly rental of approximately RMB210,000 exclusive of management fees and services charges.</p> <p>Portion of the property in Zone B and C with a total gross floor area of approximately 76,796 sq. m. is leased under various tenancies with the last term expiring in September 2022 yielding a total monthly rental of approximately RMB2,700,000 exclusive of management fees and services charges.</p> <p>The remaining portion of the property is currently vacant or self-occupied.</p>	<p>RMB674,500,000 (RENMINBI SIX HUNDRED SEVENTY FOUR MILLION AND FIVE HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB674,500,000)</p> <p>(please see note 4)</p>
Zone A	Approximate Gross Floor Area (sq. m.)																																							
Level 1	5,408.63																																							
Level 2	5,942.42																																							
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Level 3	16,135.04																																							
Sub-Total:	42,837.44																																							
Total:	120,357.52																																							

*Notes:*

1. Pursuant to 55 Building Ownership Certificates, the building ownership of portion of Zone A of the Development (including the property) with a total gross floor area of 23,846.58 sq. m. was vested in Huzhou Nanxun International Building Market Center Co., Ltd. (湖州南潯國際建材城有限公司).
2. Pursuant to 12 Building Ownership Certificates, the building ownership of twelve basement car parks in Zone A of the Development (including the property) with a total gross floor area of 152.64 sq. m. was vested in Huzhou Nanxun International Building Market Center Co., Ltd..
3. Pursuant to 901 Building Ownership Certificates, the building ownership of portion of Zone B and Zone C of the Development (including the property) with a total gross floor area of 125,950.74 sq. m. was vested in Huzhou Nanxun International Building Market Center Co., Ltd..
4. According to the Investment Agreement entered into between the People's Government of Nanxun District in Huzhou of Zhejiang Province ("Party A") and Huzhou Nanxun International Building Market Center Co., Ltd. on 19 April 2006, not more than 50% of the Development can be sold in the market and Huzhou Nanxun International Building Market Center Co., Ltd. can lease the remaining portion or dispose of the remaining portion to Party A or any purchaser specified by Party A.

As advised by the Company, the property comprises the remaining portion as stated in the aforesaid Investment Agreement. Although the remaining portion can only be disposed of to Party A or any purchaser specified by Party A, there is no restriction of the price and therefore we have assumed in our valuation that the Company can sell the property to Party A or any purchaser specified by Party A at a price at market level.

5. As per your instruction to provide the breakdown of market value for self-occupied office portion of the property with a total gross floor area of 3,453.97 sq. m., the market value of the aforesaid portion as at the date of valuation is approximately RMB10,400,000.
6. As advised by the Company, Huzhou Nanxun International Building Market Center Co., Ltd. is a wholly-owned subsidiary of HKC (Nanxun) Holdings Ltd., which is a wholly-owned subsidiary of the Company.
7. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Huzhou Nanxun International Building Market Center Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - (ii) Huzhou Nanxun International Building Market Center Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.
8. In our valuation, we have adopted capitalisation rates of 7.75% and 8.25% for the retail portion in Zone A and Zones B & C of the property respectively and we consider they are reasonable and in line with the market.

			Market Value in existing state as at 31 January 2021																				
Property	Description and tenure	Particulars of occupancy																					
11. Units 1 to 7 on 28th Floor, City Centre Junctions of Xikang Road and Chengdu Road, Heping District Tianjin, The PRC	<p>City Centre is a composite development comprising a 28-storey office building and two 30-storey residential buildings completed in 2006.</p> <p>The property comprises the whole office level with seven units on 28th floor (Units 1 to 7) of the office building in City Centre. The approximate gross floor areas of the property are listed as follows:</p>	The property is currently vacant.	RMB26,900,000 (RENMINBI TWENTY SIX MILLION AND NINE HUNDRED THOUSAND ONLY)																				
			(100% interest attributable to the Company: RMB26,900,000)																				
	<table><tr><th>Unit</th><th>Approximate Gross Floor Area (sq. m.)</th></tr><tr><td>2801</td><td>222.66</td></tr><tr><td>2802</td><td>259.97</td></tr><tr><td>2803</td><td>259.79</td></tr><tr><td>2804</td><td>220.16</td></tr><tr><td>2805</td><td>259.97</td></tr><tr><td>2806</td><td>151.78</td></tr><tr><td>2807</td><td>113.27</td></tr><tr><td></td><td></td></tr><tr><td><b>Total</b></td><td><b><u>1,487.60</u></b></td></tr></table>	Unit	Approximate Gross Floor Area (sq. m.)	2801	222.66	2802	259.97	2803	259.79	2804	220.16	2805	259.97	2806	151.78	2807	113.27			<b>Total</b>	<b><u>1,487.60</u></b>		
Unit	Approximate Gross Floor Area (sq. m.)																						
2801	222.66																						
2802	259.97																						
2803	259.79																						
2804	220.16																						
2805	259.97																						
2806	151.78																						
2807	113.27																						
<b>Total</b>	<b><u>1,487.60</u></b>																						
	The land use rights of the property have been granted for a term expiring on 4 April 2055.																						

*Notes:*

1. Pursuant to 7 Real Estate Title Certificates all issued by Tianjin Land Resources and Real Estate Administration Bureau, the title to the property with a total gross floor area of 1,487.60 sq. m. was vested in Shenzhen Kumagai Property Management Company Limited (深圳熊谷物業管理有限公司). Details of the real estate title certificates are as follows:

Certificate No	Unit	Gross	Use of Building	Expiry Date	Date of Issuance
		Floor Area (sq. m.)			
Fang Di Zheng Jin Zi Di 101020800600 Hao	2801	222.66	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800609 Hao	2802	259.97	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800601 Hao	2803	259.79	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800602 Hao	2804	220.16	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800603 Hao	2805	259.97	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800610 Hao	2806	151.78	Non-residential	4 April 2055	25 January 2008
Fang Di Zheng Jin Zi Di 101020800611 Hao	2807	113.27	Non-residential	4 April 2055	25 January 2008

2. As advised by the Company, Shenzhen Kumagai Property Management Company Limited is a wholly-owned subsidiary of the Company.
3. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
- (i) Shenzhen Kumagai Property Management Company Limited has legally obtained the land use rights and building ownership of the property;
  - (ii) Shenzhen Kumagai Property Management Company Limited can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.
4. In our valuation, we have adopted a capitalisation rate of 6.25% and we consider it is reasonable and in line with the market.



## Group IV — Property Held by the Company for Owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
12. Two office units Nos 208 and 209 of Shun Hing Square (also known as “King Land Building”), No 5002 Shennan Road East Luohu District Shenzhen, Guangdong Province, The PRC	<p>Shun Hing Square (the “Development”) is a large-scale commercial/residential composite development comprising a 27-storey apartment tower erected over a 5-storey shopping arcade and a 72-storey office tower completed in 1996. The Development is also equipped with car parking facilities in the lower ground floor and basement level.</p> <p>The property comprises two office units Nos 208 and 209 on 2nd floor of the office tower of the Development. The total gross floor area of the property is approximately 409.88 sq. m. (4,412 sq. ft.).</p> <p>The land use rights of the property has been granted for a term of 50 years commencing from 2 January 1995 and expiring on 1 January 2045 for office, residential and commercial uses.</p>	Unit 209 of the property with a gross floor area of approximately 214 sq. m. is leased under a tenancy expiring in October 2021, yielding a monthly rental of approximately RMB2,000 exclusive of management fees and services charges whilst the remaining portion of the property is owner-occupied.	<p>RMB12,900,000 (RENMINBI TWELVE MILLION AND NINE HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB12,900,000)</p>

## Notes:

- Pursuant to the Real Estate Title Certificate No Shen Fang Di Zi Di 2000473444 dated 7 December 2009, the title to whole of 2nd floor of the Development with a total gross floor area of 2,162.62 sq. m. was vested in Karbony Real Estate Development (Shenzhen) Co., Ltd. (祈福房地產開發(深圳)有限公司) for a land use rights term of 50 years commencing on 2 January 1995 and expiring on 1 January 2045 for office, residential and commercial uses.
- As advised by the Company, Karbony Real Estate Development (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Karbony Investment Limited, which is a wholly-owned subsidiary of the Company.
- We have been provided with the Company’s PRC legal adviser’s opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - Karbony Real Estate Development (Shenzhen) Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - Karbony Real Estate Development (Shenzhen) Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - the property is free from mortgages and other encumbrances.
- In our valuation, we have adopted a capitalisation rate of 6.0% and we consider it is reasonable and in line with the market.

## Group V — Properties Held by the Company for Sale in the PRC

			Market Value in existing state as at 31 January 2021												
Property	Description and tenure	Particulars of occupancy													
13. Eka Garden located at Linjiang Road Jiangmen, Guangdong Province, The PRC	<p>Eka Garden (the “<b>Development</b>”) is a residential development is situated at Linjiang Road near the junction of Jinou Road, which is within approximately a minutes’ driving distance from Jiangmen Port in Jiangmen, Guangdong Province.</p> <p>The Development is erected on a parcel of land with a site area of approximately 94,555 sq. m. and comprising villas, high-rise apartments, a commercial podium and ancillary car parking spaces. The Development will be completed in 3 phases completed in about 2010’s.</p> <p>The property comprises various portions of the Development with a total gross floor area of approximately 9,580.40 sq. m.. The property also comprises 247 basement car parking spaces, 133 basement car parking spaces (civil defense), 335 ground level car parking spaces and 135 motorcycle parking spaces. Details of the gross floor area of the property are as follows:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq. m.)</th></tr><tr><td>Villa</td><td>2,704.01</td></tr><tr><td>Retails shops</td><td>2,562.25</td></tr><tr><td>Club house</td><td>2,068.53</td></tr><tr><td>Kindergarten</td><td>2,245.61</td></tr><tr><td><b>Total:</b></td><td><b><u>9,580.40</u></b></td></tr></table> <p>The land use rights of the property has been granted for terms expiring on 17 April 2038 and 17 April 2068 for commercial and residential uses respectively.</p>	Usage	Gross Floor Area (sq. m.)	Villa	2,704.01	Retails shops	2,562.25	Club house	2,068.53	Kindergarten	2,245.61	<b>Total:</b>	<b><u>9,580.40</u></b>	<p>Portion of the property with a total gross floor area of approximately 2,246 sq. m. is leased under a tenancy expiring in November 2026, yielding a total monthly rental of approximately RMB29,100 exclusive of management fees and services charges.</p> <p>The remaining portion of the property is currently vacant and for sale.</p>	<p>RMB73,200,000 (RENMINBI SEVENTY THREE MILLION AND TWO HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB73,200,000)</p> <p>(please see notes 5 to 7)</p>
Usage	Gross Floor Area (sq. m.)														
Villa	2,704.01														
Retails shops	2,562.25														
Club house	2,068.53														
Kindergarten	2,245.61														
<b>Total:</b>	<b><u>9,580.40</u></b>														

*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Jiang Guo Yong (2008) Di 301595 dated 13 June 2008, the land use rights of the property with a site area of approximately 94,555 sq. m. have been granted to Hong Kong Construction (Jiangmen) Property Development Company Limited (香港建設(江門)物業發展有限公司) for terms expiring on 17 April 2038 and 17 April 2068 for commercial and residential uses respectively.
2. Pursuant to the Real Estate Title Certificate No. Yue (2019) Jiang Men Shi Bu Dong Chan Quan Di 1034976, the land use rights of portion of the Development with a site area of approximately 79,836.91 sq. m. have been granted to Hong Kong Construction (Jiangmen) Property Development Company Limited for terms expiring on 17 April 2038 and 17 April 2068 for commercial and residential uses respectively.
3. Pursuant to the Realty Title Certificate No. Yue (2019) Jiang Men Shi Bu Dong Chan Quan Di 1008959, the title to portion of the property with a gross floor area of 2,245.61 sq. m. was vested in to Hong Kong Construction (Jiangmen) Property Development Company Limited for a term expiring on 17 April 2038 for commercial use.
4. Pursuant to 382 Commodity Housing Title Proofs, the title to portion of the property (382 basement car parking spaces) with a total gross floor area of 7,836.55 sq. m. was vested in Hong Kong Construction (Jiangmen) Property Development Company Limited.
5. As advised by the Company, portion of the property with a total gross floor area of approximately 4,598.39 sq. m. has been sold at a total consideration of RMB38,029,430. As advised by the Company, the title to the sold portion is still held by Hong Kong Construction (Jiangmen) Property Development Company Limited as at date of valuation and is thus included in this valuation. We have also taken this into consideration in the course of our valuation.
6. We have assigned no commercial value to portion of the residential portion of the property with a gross floor area of 289.76 sq. m. as it was under litigation and cannot be sold as at the date of valuation.
7. We have assigned no commercial value to the 133 basement car parking spaces (civil defense) and 335 ground level car parking spaces of the property as the legal title of the aforesaid portion cannot be ascertained.
8. As advised by the Company, Hong Kong Construction (Jiangmen) Property Development Company Limited is a wholly-owned subsidiary of the Company.
9. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Hong Kong Construction (Jiangmen) Property Development Company Limited has legally obtained the land use rights and building ownership of the property (except the portions as mentioned in notes 6 and 7);
  - (ii) Hong Kong Construction (Jiangmen) Property Development Company Limited has obtained the Construction Engineering Planning Permits, Construction Works Commencement Permits and Completion Certificates for the club house portion of the property. There will be no legal obstacle for Hong Kong Construction (Jiangmen) Property Development Company Limited in obtaining the real estate title proof after compliance with relevant regulations and procedures;
  - (iii) Hong Kong Construction (Jiangmen) Property Development Company Limited can occupy and use the property (except the portions as mentioned in notes 6 and 7); and is also entitled to transfer, lease, mortgage or in other ways dispose of residential, retail, club house and kindergarten portion of the property under the land use rights term as mentioned in Description and Tenure; and
  - (iv) except the portion as mentioned in note 6, the property is free from mortgages and other encumbrances.

			Market Value in existing state as at 31 January 2021										
Property	Description and tenure	Particulars of occupancy											
14. Eka Garden located at South Hongqi Road Nankai District Tianjin, The PRC	<p>Eka Garden (the “<b>Development</b>”) is a residential development comprising townhouses, high-rise/low-rise apartment, club house and basement car park. The Development was developed by phases and completed in 2014.</p> <p>The Development comprises serviced apartment units, residential units and townhouses of the Development with a total gross floor area of approximately 103,510.17 sq. m..</p> <p>The property comprises various portions of the Development with a total gross floor area of approximately 7,581.12 sq. m.. The property also comprises 259 basement car parking spaces. Details of the gross floor area of the property are as follows:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq. m.)</th></tr><tr><td>Apartment</td><td>5,004.08</td></tr><tr><td>High-rise</td><td>1,593.98</td></tr><tr><td>Commercial</td><td><u>983.06</u></td></tr><tr><td><b>Total:</b></td><td><b><u><u>7,581.12</u></u></b></td></tr></table> <p>The land use rights of the property has been granted for terms expiring on 19 March 2048 and 19 March 2058 for commercial, finance and mixed residential uses respectively.</p>	Usage	Gross Floor Area (sq. m.)	Apartment	5,004.08	High-rise	1,593.98	Commercial	<u>983.06</u>	<b>Total:</b>	<b><u><u>7,581.12</u></u></b>	<p>The property is currently vacant and for sale.</p>	<p>RMB113,800,000 (RENMINBI ONE HUNDRED THIRTEEN MILLION AND EIGHT HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB113,800,000)</p> <p>(please see notes 2 to 4)</p>
Usage	Gross Floor Area (sq. m.)												
Apartment	5,004.08												
High-rise	1,593.98												
Commercial	<u>983.06</u>												
<b>Total:</b>	<b><u><u>7,581.12</u></u></b>												

*Notes:*

1. Pursuant to 25 Real Estate Title Certificate, the title to portion of the property with a total gross floor area of 4,890.44 sq. m. was vested in Tianjin Jingang Real Estate Investment Co., Ltd (天津市金港置業投資有限公司) for a term expiring on 19 March 2048 for commercial, servicing, accommodation and catering uses.
2. As advised by the Company, portion of the property with a total gross floor area of approximately 1,823.02 sq. m. has been sold at a total consideration of RMB35,013,459. As advised by the Company, the title to the sold portion is still held by Tianjin Jingang Real Estate Investment Co., Ltd as at date of valuation and is thus included in this valuation. We have also taken this into consideration in the course of our valuation.
3. As confirmed by Tianjin Jingang Real Estate Investment Co., Ltd, commercial portion of the property is considered as ancillary commercial facilities. According to relevant regulation, sale permit of the said portion cannot be obtained and thus cannot be sold. Therefore, we have assigned no commercial value to the commercial portion of the property.
4. We have assigned no commercial value to the car park portion of the property as transferability of the lease term interest of aforesaid portion cannot be ascertained.
5. As advised by the Company, Tianjin Jingang Real Estate Investment Co., Ltd is a wholly-owned subsidiary of the Company.
6. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Tianjin Jingang Real Estate Investment Co., Ltd has legally obtained the land use rights and building ownership of the property;
  - (ii) sale permit of commercial portion of the property mentioned in note 3 cannot be obtained and therefore cannot be sold;
  - (iii) except the portions as mentioned in notes 3 and 4, Tianjin Jingang Real Estate Investment Co., Ltd can occupy, use and develop the land of the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property under the land use rights term as mentioned in Description and Tenure; and
  - (iv) the property is free from mortgages and other encumbrances.

			Market Value in existing state as at 31 January 2021												
Property	Description and tenure	Particulars of occupancy													
15. Eka Garden located at Ningbo Road, Heping District, Shenyang Liaoning Province The PRC	<p>Eka Garden (the “<b>Development</b>”) is a residential development comprising townhouses, high-rise/low-rise apartment, club house and basement car park. The Development was developed by phases and completed in 2014.</p> <p>The Development comprises residential units and townhouses of the Development with a total gross floor area of approximately 103,510.17 sq. m..</p> <p>The property comprises various portions of Development with a total gross floor area of approximately 9,429.80 sq. m.. The property also comprises 249 basement car parking spaces. Details of the gross floor area of the property are as follows:</p> <table><tr><th>Usage</th><th>Gross Floor Area (sq. m.)</th></tr><tr><td>High-rise</td><td>4,667.50</td></tr><tr><td>Townhouse</td><td>1,192.77</td></tr><tr><td>Low-rise</td><td>2,673.19</td></tr><tr><td>Retail shops</td><td><u>896.34</u></td></tr><tr><td><b>Total:</b></td><td><b><u>9,429.80</u></b></td></tr></table> <p>The land use rights of the property has been granted for terms expiring on 9 September 2058 and 9 September 2048 for residential and commercial use respectively.</p>	Usage	Gross Floor Area (sq. m.)	High-rise	4,667.50	Townhouse	1,192.77	Low-rise	2,673.19	Retail shops	<u>896.34</u>	<b>Total:</b>	<b><u>9,429.80</u></b>	The property is currently vacant and for sale.	<p>RMB152,900,000 (RENMINBI ONE HUNDRED FIFTY TWO MILLION AND NINE HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB152,900,000)</p> <p><i>(please see notes 3 and 4)</i></p>
Usage	Gross Floor Area (sq. m.)														
High-rise	4,667.50														
Townhouse	1,192.77														
Low-rise	2,673.19														
Retail shops	<u>896.34</u>														
<b>Total:</b>	<b><u>9,429.80</u></b>														

*Notes:*

1. Pursuant to two State-owned Land Use Rights Certificates both issued by the People's Government of Shenyang, the land use rights of the property are granted to Xingang Real Estate (Shenyang) Co., Ltd (鑫港置業(瀋陽)有限公司). Details of the land use rights certificates are as follows:

Certificate No	Site Area (sq. m.)	Land Use	Expiry Date
Shen Yang Guo Yong (2008) Di 0184	28,349.2	Composite	Residential: 9 September 2058 Commercial: 9 September 2048
Shen Yang Guo Yong(2008)Di 0186	15,060.8	Composite	Residential: 9 September 2058 Commercial: 9 September 2048

2. Pursuant to the State-owned Land Use Rights Grant Supplementary Contract No. (2008)0061 dated 31 December 2008, the commencement date of land use rights of the property had been revised to 31 December 2010. However, the land use rights terms of the property had not yet been revised. The land use rights certificates mentioned in note 1 are still valid in this regard.
3. As advised by the Company, portion of the property with a total gross floor area of approximately 2,023.92 sq. m. has been sold at a total consideration of RMB41,878,206. As advised by the Company, the title to the sold portion is still held by Xingang Real Estate (Shenyang) Co., Ltd as at date of valuation and is thus included in this valuation. We have also taken this into consideration in the course of our valuation.
4. We have assigned no commercial value to the 249 basement car parking spaces of the property as the legal title of the aforesaid portion cannot be ascertained,
5. As advised by the Company, Xingang Real Estate (Shenyang) Co., Ltd is a wholly-owned subsidiary of the Company.
6. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
- (i) Xingang Real Estate (Shenyang) Co., Ltd has legally obtained the land use rights and building ownership of the property (except the portion mentioned in note 4);
  - (ii) Xingang Real Estate (Shenyang) Co., Ltd can occupy and use the land use rights of the property (except the portion mentioned in note 4); and is also entitled to transfer, lease, mortgage or in other ways dispose of the property (except the portion mentioned in note 4) under the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.

			Market Value in existing state as at 31 January 2021																				
Property	Description and tenure	Particulars of occupancy																					
16. Retail units in Zones B and C of Nanxun International Construction Materials Market located at Nanxun Economic Development Zone No 2333 Qiang Hua Road, Nanxun Huzhou, Zhejiang Province, The PRC	<p>Nanxun International Construction Materials Market (the “<b>Development</b>”) is a 3 to 6 storeys construction materials and ornaments mall divided into three zones, namely Zone A, Zone B and Zone C.</p> <p>The Development is developed by two phases. Phase 1 comprises Zones B and C and Phase 2 comprises Zone A complete in about 2009 and 2020 respectively.</p> <p>The property comprises various retail units scattered on Levels 1, 2 and 3 in Zones B and C with a total gross floor area of approximately 24,035.35 sq. m. (258,717 sq. ft.). The area breakdown is as follows:</p>	<p>Portion of the property with a total gross floor area of approximately 20,008 sq. m. is leased under various tenancies with the last term expiring on 17 November 2022 yielding a total monthly rental of approximately RMB560,000 exclusive of management fees and service charges whilst the remaining portion of the property is currently vacant.</p>	<p>RMB96,500,000 (RENMINBI NINETY SIX MILLION AND FIVE HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB96,500,000)</p>																				
	<table><tr><th>Zone B</th><th>Approximate Gross Floor Area (sq. m.)</th></tr><tr><td>Level 1</td><td>337.80</td></tr><tr><td>Level 2</td><td>9,223.94</td></tr><tr><td>Level 3</td><td><u>8,112.77</u></td></tr><tr><td>Sub-Total:</td><td><u>17,674.51</u></td></tr><tr><td>Zone C</td><td></td></tr><tr><td>Level 2</td><td>998.86</td></tr><tr><td>Level 3</td><td><u>5,361.98</u></td></tr><tr><td>Sub-Total:</td><td><u>6,360.84</u></td></tr><tr><td>Total:</td><td><u><u>24,035.35</u></u></td></tr></table> <p>The land use rights of the property has been granted for a term expiring on 25 February 2047 for commercial use.</p>	Zone B	Approximate Gross Floor Area (sq. m.)	Level 1	337.80	Level 2	9,223.94	Level 3	<u>8,112.77</u>	Sub-Total:	<u>17,674.51</u>	Zone C		Level 2	998.86	Level 3	<u>5,361.98</u>	Sub-Total:	<u>6,360.84</u>	Total:	<u><u>24,035.35</u></u>		
Zone B	Approximate Gross Floor Area (sq. m.)																						
Level 1	337.80																						
Level 2	9,223.94																						
Level 3	<u>8,112.77</u>																						
Sub-Total:	<u>17,674.51</u>																						
Zone C																							
Level 2	998.86																						
Level 3	<u>5,361.98</u>																						
Sub-Total:	<u>6,360.84</u>																						
Total:	<u><u>24,035.35</u></u>																						



*Notes:*

1. Pursuant to 901 Building Ownership Certificates, the building ownership of portion of Zone B and Zone C of the Development (including the property) with a total gross floor area of 125,950.74 sq. m. was vested in Huzhou Nanxun International Building Market Center Co., Ltd. (湖州南潯國際建材城有限公司).
2. As advised by the Company, Huzhou Nanxun International Building Market Center Co., Ltd. is a wholly-owned subsidiary of HKC (Nanxun) Holdings Ltd., which is a wholly-owned subsidiary of the Company.
3. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Huzhou Nanxun International Building Market Center Co., Ltd. has legally obtained the land use rights and building ownership of the property;
  - (ii) Huzhou Nanxun International Building Market Center Co., Ltd. can occupy and use the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.

## Group VI — Property Leased by the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
17. Legation Quarter, No 23 Qianmen Dong Dajie, Dongcheng District, Beijing, The PRC	<p>The Legation Quarter comprises various historic blocks of 2-storey buildings erected over a roughly rectangular-shaped site. Some of the buildings are equipped with newly built extensions and 1 to 2 basement levels. The central portion of the subject site is an open space and a 2-level basement is constructed underneath.</p> <p>The property has a total gross floor area of approximately 17,181.00 sq. m. (184,936 sq. ft.).</p> <p>The property is leased by the Company for term as detailed in note (1) below.</p>	<p>The property is currently leased by the Company and portion of the property with a total gross floor area of approximately 9,768 sq. m. is currently further sub-leased for various terms, with the last term expiring in April 2021 yielding a total monthly base rental of approximately RMB3,070,000 exclusive of management fees and services charges.</p>	<p>No Commercial Value</p> <p>(please see notes 4 and 5)</p>

## Notes:

- Pursuant to the Tenancy Agreement (釣魚台前門賓館房屋租賃合同) entered into between 外交部釣魚台賓館管理局 (“Party A”) and The Legation Quarter Limited (previously known as Courtyard Investment Management and Operation Ltd) (四合投資經營管理有限公司) (“Party B”) and the Supplemental Tenancy Agreement (釣魚台前門賓館房屋租賃合同補充協議) entered into among Party A, Party B and Dongjiang Mixiang Garden (Beijing) Restaurant Company Limited (東江米巷花園(北京)餐飲有限公司) (“Party C”) dated 10 August 2006, Party A agreed to lease the property to Parties B and C for a term of 15 years from 1 May 2006 to 30 April 2021 at an annual rent of RMB13,000,000 for the first year and an annual increase of 3% for mixed uses of prime restaurants, fashion boutiques, art galleries, private clubs and theaters, etc.
- Pursuant to another Supplemental Tenancy Agreement (〈釣魚台前門賓館房屋租賃合同〉補充協議) entered into among Party A, Party B and Party C dated 3 November 2006, Party A agreed to provide an option to renew the tenancy for a further term of 10 years to 30 April 2031 at the then market rent. Party A also agreed that Parties B and C can invite other businesses to operate in the property subject to obtaining prior written consent from Party A.
- Pursuant to three letters issued by Party A to Party C on 19 June 2008 and 17 July 2008 respectively, three business operators had been permitted to operate in the property by Party A.
- As stated in the announcement of the Company dated 3 May 2020, the Tenancy Agreement mentioned in note 1 has been renewed for further ten years commencing from 1 May 2021 and expiring on 30 April 2031 entered in to between Party A and Party C on 30 April 2020 and the property interest in relation to the renewal of the Tenancy Agreement will be accounted for as right-of-use asset of the Company pursuant to HKFRS 16. Such property interest should not be regarded as the Company’s property asset for the purpose of Rule 11.1(f) of the Takeovers Code.

5. We have valued the property interest with reference to its profit rent derived from its substantial and transferable leasehold interest arising from sub-letting the property to other third parties. However, since the rights to lease the property by Party A and the validity of the Tenancy Agreement cannot be ascertained, we have assigned no commercial value to the property.
6. As advised by the Company, Dongjiang Mixiang Garden (Beijing) Restaurant Company Limited is a wholly-owned subsidiary of The Legation Quarter Limited (四合投資經營管理有限公司) which is a wholly-owned subsidiary of The Legation Quarter (BVI) Ltd. and 80.4% equity interests of The Legation Quarter (BVI) Ltd. is indirectly owned by the Company.
7. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) according to a Proof issued by Government Offices Administration of the State Council to Beijing Municipal Commission of Urban Planning on 10 July 2006, the title to the property is vested in the central government institution in Beijing and there is no ownership dispute;
  - (ii) if Party A has been properly authorized by Government Offices Administration of the State Council to operate, manage and lease the property and completed the relevant procedures to lease the property, the aforesaid tenancy agreements are legal and valid;
  - (iii) as confirmed by Parties B and C, no objection regarding the operation in the property by other third parties has been received from Party A, any third parties or any government authorities;
  - (iv) Parties B and C have not violated the conditions as stipulated in relevant tenancy agreement and its supplementary agreements provided that Parties B and C has obtained the consent from Party A to invite third parties to operate business in the property; and
  - (v) according to the existing information, the rights to lease the property by Party A and the validity of the Tenancy Agreement as mentioned in note 7 (ii) cannot be ascertained.

## Group VII — Properties Held by the Company for Future Development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
18.	A parcel of land located at eastern part of Tuanbo Lake within the Planned Tuanbo New City Jinghai County Tianjin, The PRC	<p>The property comprises a parcel of land on an offshore area with a site area of approximately 804,000 sq. m. (8,654,256 sq. ft.).</p> <p>The property is proposed to be developed into a large-scale residential development with associated commercial and communal facilities. The proposed total gross floor area is approximately 883,300 sq. m. (9,507,841 sq. ft.). Area detail of the proposed development are as follows:</p>	The property is pending for development.	<p>RMB2,470,000,000 (RENMINBI TWO BILLION FOUR HUNDRED AND SEVENTY MILLION ONLY)</p> <p>(100% interest attributable to the Company: RMB2,470,000,000)</p>
		<p style="text-align: center;"><b>Proposed Gross Floor Usage Area</b> (sq. m.)</p>		
		<b>Above Ground</b>		
		Apartment 521,120		
		House 225,120		
		Serviced Apartment 40,000		
		Commercial 23,700		
		Communal Facilities <u>26,060</u>		
		Subtotal: <u>836,000</u>		
		<b>Below Ground</b>		
		Car Park & others <u>47,300</u>		
		<b>Total: <u>883,300</u></b>		
		<p>The land use rights of the property has been granted for residential use and commercial/service use for terms expiring on 23 January 2076 and 23 January 2046 respectively.</p>		

*Notes:*

1. Pursuant to the State-owned Land Use Rights Grant Contract No Jing Guo Di Rang II 2005–29 dated 21 November 2005 entered into between Jinghai County Planning and Land Resources Administration Bureau (“**Party A**”) and 天津市仁愛建設集團有限公司 (“**Party B**”), the land use rights of a site (comprising two islands), having a total site area of about 3,000 mu, was granted by Party A to Party B for a term of 40 years for commercial/service uses and 70 years for residential use. The aforesaid site should be reclaimed by Party B to form two islands.
2. Pursuant to a Supplementary Contract dated 7 December 2005 entered into between Party A and Party B and Tianjin EKA Properties Co. Ltd. (天津奕聰置業有限公司) (formerly known as “天津市仁愛置業發展有限公司”) (“**Party C**”), Party A agreed that the land use rights of portion of granted site with site area of 1,206 mu (one of the island) will be transferred from Party B to Party C.
3. Pursuant to another four Supplementary Contracts dated 15 July 2008, 23 June 2012, 11 July 2013 and 15 October 2014 entered into between Party A and Party C, Party C agreed to commence the reclamation work before 15 December 2008 and the reclamation work should be completed on 15 December 2010. The construction work of commercial and residential buildings should be commenced before 15 June 2015 and completed within five years.
4. Pursuant to the State-owned Land Use Rights Certificate No Jing Dan Guo Yong (2006) Di 020 dated 24 January 2006, the land use rights of the property with a total site area of 804,000 sq. m. have been granted to Tianjin EKA Properties Co. Ltd. for residential and commercial/service uses for terms expiring on 23 January 2076 and 23 January 2046 respectively.
5. Party B is a third party and not related to the Company. As advised by the Company, Tianjin EKA Properties Co. Ltd. is a wholly-owned subsidiary of Hong Kong Construction Tianjin Tuan Po Hu Investment Limited, which is a wholly-owned subsidiary of the Company.
6. In our opinion, the gross development value of the proposed developments of the property, assuming a total construction cost of approximately RMB4,995,000,000 and it were complete as at the valuation date, was estimated approximately as RMB10,645,000,000.
7. We have been provided with the Company’s PRC legal adviser’s opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Tianjin EKA Properties Co. Ltd. has legally obtained the land use rights of the property;
  - (ii) Tianjin EKA Properties Co. Ltd. can occupy, use and develop the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the land use rights of the property in accordance with the agreed term of the State-owned Land Use Rights Grant Contract;
  - (iii) Within the land use rights term as mentioned in Description and Tenure, Tianjin EKA Properties Co. Ltd. can commence the construction after legally obtaining the Construction Land Use Planning Permit, Construction Engineering Planning Permit, Construction Works Commencing Permit and other necessary licenses and permits;
  - (iv) The aforesaid land use rights is at risk of reclaimed by the government. However, as confirmed by Tianjin EKA Properties Co. Ltd. by 3 February 2021, Tianjin EKA Properties Co. Ltd. had not received any inquiry, investigation or punishment decision from any local authority caused by the undeveloped land of the property; and
  - (v) Notwithstanding mentioned in note 7 (iv) above, the property is free from mortgages and other encumbrances.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2021
19. A parcel of land located at Ningbo Road, Heping District, Shenyang Liaoning Province The PRC	<p>The property comprises a parcel of roughly irregular shaped land with a site area of approximately 23,895.40 sq. m..</p> <p>The property is proposed to be developed into a residential development with a total gross floor area of approximately 75,645.38 sq. m. (814,247 sq. ft.).</p> <p>The land use rights of the property has been granted for terms expiring on 9 September 2058 and 9 September 2048 for residential and commercial use respectively.</p>	<p>Portion of the property was being occupied by a number of low to medium-rise buildings due to be demolished whilst the remaining portion of the property is currently a vacant site.</p> <p>The property is pending for development.</p>	<p>RMB848,700,000 (RENMINBI EIGHT HUNDRED FORTY EIGHT MILLION AND SEVEN HUNDRED THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB848,700,000)</p> <p>(please see note 4)</p>

*Notes:*

- Pursuant to the State-owned Land Use Rights Grant Contract (the “**Contract**”) No. (2008)0071 dated 8 July 2008 entered into between Shenyang City Planning and Land Resources Administration Bureau (“**Party A**”) and Xingang Real Estate (Shenyang) Co., Ltd (“**Party B**”), the land use rights of three parcels of land, having a total site area of about 67,305.40 sq. m., was granted by Party A to Party B for a term of 50 years (40 years for the portion of commercial use) for residential use at a consideration of RMB741,167,064.80. The salient conditions as stipulated in the Contract are, *inter alia*, cited as follows:
  - Use of main buildings : Residential
  - Use of ancillary buildings : Commercial
  - Land use rights term : 50 years (40 years for the commercial portion)
  - Plot ratio : Not more than 4.0
  - Building height : 100 metres
- Pursuant to the State-owned Land Use Rights Grant Supplementary Contract No. (2008)0061 dated 31 December 2008 entered into between Party A and Party B, the commencement date of land use rights of the property had been revised to 31 December 2010. However, the land use rights terms of the property had not yet been revised. The land use rights certificate mentioned in note 3 is still valid in this regard.
- Pursuant to the State-owned Land Use Rights Certificate No Shen Yang Guo Yong (2008) Di 0185 issued by the People’s Government of Shenyang, the land use rights of the property with a site area of 23,895.40 sq. m. have been granted to Xingang Real Estate (Shenyang) Co., Ltd with land use rights terms expiring on 9 September 2058 for residential use (9 September 2048 for commercial use).

4. As advised by the Company, construction cost incurred and outstanding settlement cost of the property as at the valuation date were approximately RMB4,500,000 and RMB218,000,000 respectively. In the course of our valuation, we have taken into account of the aforesaid costs. In our opinion, the gross development value of the proposed developments of the property, assuming a total construction cost of approximately RMB567,000,000 and it were complete as at the valuation date, was estimated approximately as RMB2,269,000,000.
5. As advised by the Company, Xingang Real Estate (Shenyang) Co., Ltd is a wholly-owned subsidiary of the Company.
6. We have been provided with the Company's PRC legal adviser's opinion dated 26 March 2021, which contains, *inter alia*, the following:
  - (i) Xingang Real Estate (Shenyang) Co., Ltd has legally obtained the land use rights of the property;
  - (ii) Xingang Real Estate (Shenyang) Co., Ltd can occupy and use the land use rights of the property; and is also entitled to transfer, lease, mortgage or in other ways dispose of the property within the land use rights term as mentioned in Description and Tenure; and
  - (iii) the property is free from mortgages and other encumbrances.

## 1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Company has been supplied by the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by directors of the Offeror in their capacity as 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 in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Offeror has been supplied by the Offeror. The issue of this Scheme Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as 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 in this Scheme Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$300,000,000 divided into 1,200,000,000 Shares;
- (b) the issued share capital of the Company was HK\$127,768,562 divided into 511,074,246 Shares;
- (c) no Shares had been issued since 1 January 2021, being the day after the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting; and
- (e) there were no options, derivatives, warrants or other securities convertible or exchangeable into Shares which were issued by the Company.



### 3. MARKET PRICES OF THE SHARES

The table below sets out the closing price of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price for each Share (HK\$)</b>
31 July 2020	4.53
31 August 2020	4.64
30 September 2020	4.11
30 October 2020	3.97
30 November 2020	3.69
31 December 2020	3.58
12 January 2021 (Last Trading Date)	3.63
29 January 2021	7.66
26 February 2021	7.60
29 March 2021 (Latest Practicable Date)	7.61

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$7.68 per Share on 27 and 28 January 2021, and HK\$3.55 per Share on 8 January 2021.

### 4. DISCLOSURE OF INTERESTS

#### 4.1 Directors' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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 executives 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**”) or required to be disclosed under the Takeovers Code were as follows:

*Interests in Shares*

Name of Director	Notes	Nature of interests	Number of Shares interested	Approximate % of total issued Shares
Mr. OEI	(1)	Corporate	363,924,938 (L)	71.21%
	(2)	Joint	11,154,987 (L)	2.18%
Mr. LEE Shiu Yee, Daniel	(3)	Personal	7,200 (L)	0.00%
Mr. WONG Jake Leong, Sammy	(4)	Personal	5,145,000 (L)	1.01%
	(5)	Joint	1,841,269 (L)	0.36%

*L: Long positions*

*Notes:*

1. The corporate interest of Mr. OEI represents (i) an interest in 203,445,407 Shares held by Creator Holdings Limited (“**Creator**”); (ii) an interest in 143,212,531 Shares held by Genesis Capital Group Limited (“**Genesis**”); and (iii) an interest in 17,267,000 Shares held by Great Nation International Limited (via its wholly-owned subsidiary, the Offeror). Both Creator and Genesis are wholly-owned by Claudio Holdings Limited (“**Claudio**”), a company wholly-owned by Mr. OEI.
2. The joint interest of Mr. OEI represents an interest in 11,154,987 Shares jointly held with his wife, Mrs. OEI Valonia Lau.
3. The personal interest of Mr. LEE Shiu Yee, Daniel represents an interest in 7,200 Shares.
4. The personal interest of Mr. WONG Jake Leong, Sammy represents an interest in 5,145,000 Shares.
5. The joint interest of Mr. WONG Jake Leong, Sammy represents an interest in 1,841,269 Shares jointly held with his wife, Mrs. WONG Hongmei Guo.

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 or underlying Shares 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 or required to be disclosed under the Takeovers Code.

#### 4.2 Interests and short positions of the Offeror and other substantial Shareholders in the 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 which would fall 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:

Name of Shareholders	Notes	Capacity and nature of interest	Number of Shares held	Approximate % of total issued Shares
Mrs. OEI Valonia Lau	(1)	Family	363,924,938 (L)	71.21%
	(2)	Joint	11,154,987 (L)	2.18%
Claudio Holdings Limited	(3)	Corporate	346,657,938 (L)	67.83%
Creator Holdings Limited	(4)	Beneficial owner	203,445,407 (L)	39.81%
Genesis Capital Group Limited	(5)	Beneficial owner	143,212,531 (L)	28.02%

*L: Long positions*

*Notes:*

- Mrs. OEI Valonia Lau is deemed to be interested in the same parcel of Shares in which Mr. OEI is taken to be interested (as detailed in “Directors’ interests and short positions in the Shares and underlying Shares” section above).
- The joint interest of Mrs. OEI Valonia Lau represents an interest in 11,154,987 Shares jointly held with Mr. OEI.
- The corporate interest of Claudio represents an interest in 203,445,407 Shares held by Creator, and an interest in 143,212,531 Shares held by Genesis. Claudio is beneficially wholly-owned by Mr. OEI.
- The beneficial interest of Creator represents an interest in 203,445,407 Shares. Creator is ultimately beneficially wholly-owned by Mr. OEI.
- The beneficial interest of Genesis represents an interest in 143,212,531 Shares. Genesis is ultimately beneficially wholly-owned by Mr. OEI.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who (i) had an interest or short position in the Shares and underlying Shares 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.

As at the Latest Practicable Date:

- (a) no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any 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 who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company;
- (d) 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;
- (e) the Shares held by the Offeror, Creator Holdings Limited and Genesis Capital Group Limited do not form part of the Scheme Shares. They will not be entitled to vote at the Court Meeting; and
- (f) the Shares held directly by (i) Mr. OEI and his wife, Mrs. OEI Valonia Lau; (ii) Mr. OEI Tjie Goan, the father of Mr. OEI, through a BVI company which is wholly-owned by Mr. OEI Tjie Goan; (iii) Mr. LEE Shiu Yee, Daniel, an executive Director; and (iv) Mr. WONG Jake Leong, Sammy, an executive Director, form part of the Scheme Shares. They will abstain from voting on the Scheme at the Court Meeting. Save as disclosed above, none of the Directors held any Shares.

**4.3 Dealings in the relevant securities of the Company**

- (a) During the Relevant Period, except for Mr. OEI Tjie Goan who purchased 11,834,513 Shares through a BVI company at HK\$4.48 per Share on 7 September 2020, none of the Offeror, the directors of the Offeror, or parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.
- (b) 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.
- (c) During the period from the Announcement Date 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 or any 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 who is an associate of the Company by virtue of class (2) of the definition of associate (but excluding exempt principal traders and exempt fund managers) 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 (5) of the definition of acting in concert or who is an “associate” under the Takeovers Code by virtue of classes (2), (3) and (4) of the definition of associate 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.

**4.4 Interests and dealings in the securities of the Offeror**

Save that the Offeror is held as to 50% by Mr. OEI and 50% by his wife, Mrs. OEI Valonia Lau, as at the Latest Practicable Date, none of the Directors or the Company was interested in any the shares or any convertible securities, warrants, options or derivatives in respect of the shares in the Offeror and neither the Directors nor the Company had dealt for value in any such shares, convertible securities, warrants, options or derivatives during the Relevant Period.

**4.5 Other arrangements in respect of the Proposal**

As at the Latest Practicable Date:

- (a) the Offeror and any parties acting in concert with it had not received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the SGM;
- (b) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (c) there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it 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;
- (e) 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 condition to the Scheme;
- (f) 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) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any party acting in concert with it and any other person;
- (h) the Offeror and any parties acting in concert with it had not borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeover Code) of the Company;
- (i) no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares was managed on a discretionary basis by any fund managers connected with the Offeror;
- (j) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares acquired pursuant to the Proposal;
- (k) no material contracts have been entered into by the Offeror in which any Director has a material personal interest;

- (l) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (m) there was no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with them on the other hand; and
- (n) there was no special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) the Company, its subsidiaries or associated companies.

## **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which are in force and which: (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## **6. MATERIAL LITIGATION**

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

## **7. MATERIAL CONTRACTS**

There were no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group entered into by any member of the Group within two years preceding the Announcement Date and up to the Latest Practicable Date.

**8. EXPERTS**

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualifications</b>
Anglo Chinese Corporate Finance, Limited	a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Somerley Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Knight Frank Petty Limited	an independent professional property valuer

**9. CONSENTS**

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is situated at 9/F., Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer agent of the Company is MUFG Fund Services (Bermuda) Limited, whose registered office is at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The Share Registrar is Computershare Hong Kong Investor Services Limited, whose registered office is at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) Principal members of the Offeror's concert group include the Offeror, Mr. OEI and his wife, Mrs. OEI Valonia Lau, Creator Holdings Limited, Genesis Capital Group Limited, Mr. OEI Tjie Goan, the father of Mr. OEI, and Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy, both executive Directors.



- (f) Mr. OEI and his wife, Mrs. OEI Valonia Lau, are the ultimate beneficial owners and the directors of the Offeror.
- (g) The registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (h) The registered office of Creator Holdings Limited is situated at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands.
- (i) Creator Holdings Limited is ultimately beneficially owned by Mr. OEI and its directors are Mr. OEI and his wife, Mrs. OEI Valonia Lau.
- (j) The registered office of Genesis Capital Group Limited is situated at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands.
- (k) Genesis Capital Group Limited is ultimately beneficially owned by Mr. OEI and its directors are Mr. OEI and his wife, Mrs. OEI Valonia Lau.
- (l) The address of Mr. OEI and his wife, Mrs. OEI Valonia Lau, Mr. OEI Tjie Goan, Mr. LEE Shiu Yee, Daniel and Mr. WONG Jake Leong, Sammy is at 9/F., Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.
- (m) The registered office of Somerley Capital Limited is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (n) The registered office of Anglo Chinese Corporate Finance, Limited is situated at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal office of the Company at 9/F., Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at [www.hkcholdings.com](http://www.hkcholdings.com), and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) during the period from the date of the Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2018 and 2019 and the annual results announcement of the Company for the year ended 31 December 2020 published by the Company on 18 March 2021;
- (d) the letter from the Offeror, the text of which is set out in the section headed "Letter from the Offeror" of this Scheme Document;

- (e) the letter from the Board, the text of which is set out in Part III of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part IV of this Scheme Document;
- (g) the letter from Anglo Chinese, the text of which is set out in Part V of this Scheme Document;
- (h) the property valuation report from Knight Frank Petty Limited, the text of which is set out in Appendix II to this Scheme Document;
- (i) the written consents referred to in the section headed “9. Consents” in this Appendix III to this Scheme Document; and
- (j) this Scheme Document.

**IN THE SUPREME COURT OF BERMUDA  
CIVIL JURISDICTION  
COMMERCIAL COURT**

**2021: No. 85  
IN THE MATTER OF  
HKC (HOLDINGS) LIMITED  
AND  
SECTION 99 OF THE BERMUDA COMPANIES ACT 1981  
SCHEME OF ARRANGEMENT  
BETWEEN  
HKC (HOLDINGS) LIMITED  
AND  
THE SCHEME SHAREHOLDERS**

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**PRELIMINARY**

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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:

“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“Cancellation Price”	the cancellation price of HK\$8.00 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	HKC (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 190)
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “3. CONDITIONS TO THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of the Scheme Document
“Court”	the Supreme Court of Bermuda

“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Creator Holdings Limited”	a company incorporated in the BVI with limited liability, which is ultimately beneficially wholly-owned by Mr. OEI
“Effective Date”	the date on which an office copy of the Order of the Court sanctioning this Scheme and making such as appropriate pursuant to Section 99 of the Companies Act shall have been delivered to the Registrar of Companies for registration, at which time this Scheme shall become effective
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in the Scheme Document
“Genesis Capital Group Limited”	a company incorporated in the BVI with limited liability, which is ultimately beneficially wholly-owned by Mr. OEI
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	29 March 2021, being the latest practicable date prior to the despatch of the Scheme Document for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	30 September 2021 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive
“Mr. OEI”	Mr. OEI Kang, Eric, chairman and chief executive officer of the Company and a controlling Shareholder, who is also the 50% beneficial owner and a director of the Offeror
“Offeror”	Genesis Ventures Limited, a company incorporated in the BVI with liability limited by shares, which is ultimately beneficially owned as to 50% by Mr. OEI and 50% by his wife, Mrs. OEI Valonia Lau

“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the conditions set out in the Scheme Document
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	this scheme of arrangement under Section 99 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal), the accompanying proxy forms and notices of the Court Meeting and the SGM, published or despatched by the Offeror and the Company to all Shareholders, as may be amended or supplemented from time to time
“Scheme Record Date”	14 May 2021 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	Share(s), other than those held by the Offeror, Creator Holdings Limited and Genesis Capital Group Limited
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SGM”	the special general meeting of the Company convened for the purpose of passing all necessary resolutions for, amongst other things, the implementation of the Proposal, or any adjournment thereof
“Share(s)”	ordinary share(s) of par value HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 14 April 2005. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$300,000,000 divided into 1,200,000,000 Shares of which 511,074,246 Shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by counsel on the hearing of the petition to sanction the Scheme and has undertaken to the Court to be bound by the Scheme and to execute and do, and procure to be executed and done, all such documents, acts and things as may be necessary or desirable by the Offeror for the purpose of giving effect to the Scheme.
- (D) The primary purpose of the Scheme is that to cancel all Scheme Shares and to issue new Shares to the Offeror equal to the number of Scheme Shares cancelled on the Effective Date so that the Company will be owned as to (i) 32.17% by the Offeror, (ii) 39.81% by Creator Holdings Limited, and (iii) 28.02% by Genesis Capital Group Limited.

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**THE SCHEME**

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**PART I****CANCELLATION OF THE SCHEME SHARES**

1. Upon the Effective Date:
  - (a) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
  - (b) immediately after the reduction of issued share capital referred to in the above paragraph (a) of this clause 1 taking effect, the issued share capital of the Company shall be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance of such number of new Shares as is equal to the number of Scheme Shares cancelled; and
  - (c) the Company shall apply the credit amount arising in its books of account as a result of the said reduction of issued share capital in paying up in full at par the new Shares referred to in the above paragraph (b) of this clause 1 and those new Shares shall be allotted and issued, credited as fully paid, to the Offeror.

**PART II****CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of all Scheme Shares each Scheme Shareholder (as appearing in the register of members of the Company on the Scheme Record Date) shall be entitled to receive the Cancellation Price of HK\$8.00 for each Scheme Share cancelled.

**PART III****GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within seven Business Days following the Effective Date.
4. On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented by the cheque in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

5. The Offeror (or its nominee) shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments from such monies of the sums, without interest earned thereon, to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror 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 account in the name of the Offeror (or its nominee), including accrued interest subject to any deduction required by law and expenses incurred.
6. As from and including the Effective Date, all share certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title to the Shares comprised therein and every holder thereof shall be bound, on the request of the Company, to deliver up to the Company or to any person appointed by it to receive the same such certificate(s) for cancellation.
7. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies in Bermuda for registration.
8. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
9. The Company and the Offeror may jointly consent for and on behalf of all parties concerted to any modification of or addition to this Scheme or to any conditions which the Court may think fit to approve or impose.
10. Subject to the requirements of the Takeovers Code, the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.



IN THE SUPREME COURT OF BERMUDA  
CIVIL JURISDICTION  
COMMERCIAL COURT

2021: No. 85  
IN THE MATTER OF  
HKC (HOLDINGS) LIMITED  
AND  
IN THE MATTER OF SECTION 99 OF  
THE COMPANIES ACT 1981 OF BERMUDA  
SCHEME OF ARRANGEMENT  
BETWEEN  
HKC (HOLDINGS) LIMITED  
AND  
THE SCHEME SHAREHOLDERS

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NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order dated 25 March 2021 (the “**Order**”), made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between HKC (Holdings) Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:00 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

The Scheme and the explanatory statement required by section 100 of the Companies Act 1981 of Bermuda (as amended) are part of the composite scheme document, which also includes this notice and other information, a copy of which are incorporated in the document of which this Notice forms part and can be obtained by Scheme Shareholders from the Company’s branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited.

Scheme Shareholders may vote in person or by proxy at the Court Meeting. If in person, they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend, speak and vote in their stead. A proxy need not be a member of the Company but must attend the meeting. A **PINK** form of proxy for use at the Court Meeting is enclosed with the composite scheme document. Completion and return of a form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the meeting, or any adjournment thereof.

In the case of joint holders of a share, 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. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

**PINK** forms appointing proxies (together with any power of attorney or other authority under which they are signed) should be lodged with the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 10:00 a.m. on 21 April 2021, but if the **PINK** forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting who has absolute discretion whether or not to accept them.

By the Order, the Court has appointed Mr. LEUNG Wing Sum, Samuel, an executive director of the Company, or, failing him, Mr. Albert Thomas DA ROSA, Junior, an independent non-executive director of the Company, or, failing that, any other director of the Company, to act as chairman of the Court Meeting and has directed the chairman to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 1 April 2021

By order of the Court  
**Appleby (Bermuda) Ltd**  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda  
Attorneys to the Company

*Notes:*

1. The health of the shareholders of the Company (the “**Shareholders**”), staff and stakeholders is of paramount importance to us. With a view to preventing and controlling the spread of the Coronavirus Disease 2019 (“**COVID-19**”), the Company will implement the following precautionary measures at the Court Meeting to protect attending Shareholders, staff and stakeholders from the risk of infection:
  - (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
  - (ii) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
  - (iii) no refreshment will be served, and there will be no corporate gift; and
  - (iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Court Meeting and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
2. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent practicable. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time) and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the Court Meeting and only Shareholders and/or their proxies and relevant Court Meeting staff will be allowed entry into Court Meeting venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the Court Meeting as may be necessary to avoid overcrowding.

**In addition, the Company reminds all Scheme Shareholders that physical attendance in person at the Court Meeting is not necessary for the purpose of exercising voting rights. Scheme Shareholders may appoint the chairman of the Court Meeting as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and return the forms of proxy enclosed with this Scheme Document.**



# HKC (HOLDINGS) LIMITED

## 香港建設(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 190)**

*(website: [www.hkcholdings.com](http://www.hkcholdings.com))*

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of HKC (Holdings) Limited (the “**Company**”) will be held at Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 23 April 2021 at 10:30 a.m. (Hong Kong time) or immediately after the conclusion or adjournment of the court meeting (the “**Court Meeting**”) of the register holders (the “**Scheme Shareholder**”) of the share capital of the Company (other than those held by Genesis Ventures Limited (the “**Offeror**”), Creator Holdings Limited and Genesis Capital Group Limited) (the “**Scheme Shares**”) convened at the direction of the Supreme Court of Bermuda (the “**Court**”) for the same place and day, whichever is later, for the purposes of considering and, if thought fit, passing with or without modification, the following resolution as a special resolution:

#### SPECIAL RESOLUTION

“**THAT** for the purposes of giving effect to the scheme of arrangement (the “**Scheme**”) between the Company and the Scheme Shareholders as set out in the composite scheme document dated 1 April 2021 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting:

- (a) on the Effective Date (as defined in the Scheme), the issued share capital of the Company be reduced by cancelling and extinguishing all the Scheme Shares (the “**Capital Reduction**”);
- (b) immediately after the Capital Reduction, the issued share capital of the Company be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit amount arising in the books of account of the Company as a result of the aforesaid reduction of issued share capital of the Company in paying up in full at par such number of new Shares (credited as full paid) as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued to the Offeror;

\* For identification purposes only

- (c) subject to the Scheme taking effect, the withdrawal of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited be approved, and any one director of the Company be authorised to make application to The Stock Exchange of Hong Kong Limited in respect of such withdrawal; and
- (d) any one of the directors of the Company be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in connection with the implementation and completion of the Scheme, including, without limitation, the giving or implementation of consent to any modifications of, or additions to, the Scheme, which the Court may see fit to impose and to do all other acts and things as considered by him to be necessary or desirable in connection with the Scheme or in order to give effect to the transactions referred to above.”

By Order of the Board of  
**HKC (Holdings) Limited**  
**LEUNG Wing Sum, Samuel**  
*Executive Director*

Hong Kong, 1 April 2021

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of Business in Hong Kong:*  
9/F., Tower 1  
South Seas Centre  
75 Mody Road  
Tsimshatsui East  
Kowloon  
Hong Kong

*As at the date of this announcement, the Board comprises seven Directors, of which Mr. OEI Kang, Eric, Mr. LEE Shiu Yee, Daniel, Mr. WONG Jake Leong, Sammy and Mr. LEUNG Wing Sum, Samuel are executive Directors; and Mr. CHENG Yuk Wo, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David are independent non-executive Directors.*

*Notes:*

1. For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 20 April 2021 to Friday, 23 April 2021 (both days inclusive) and, during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer agent 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 for registration by no later than 4:30 p.m. on Monday, 19 April, 2021.
2. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is appointed.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. Where there are joint holders of any share of the Company, any one of such persons may vote at the SGM either in person or by proxy, in respect of such share of the Company as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holding.
5. A form of proxy for use in connection with the SGM is enclosed.
6. The health of the shareholders of the Company (the "Shareholders"), staff and stakeholders is of paramount importance to us. With a view to preventing and controlling the spread of the Coronavirus Disease 2019 ("COVID-19"), the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:
  - (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
  - (ii) each attendee is required to wear a surgical face mask properly throughout the meeting and inside the meeting venue, and seating in the venue will also be arranged so as to allow for appropriate social distancing;
  - (iii) no refreshment will be served, and there will be no corporate gift; and
  - (iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue.
7. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue to the extent practicable. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time) and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for Shareholders to attend the SGM and only Shareholders and/or their proxies and relevant SGM staff will be allowed entry into the SGM venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the venue on a "first-come-first-served" basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) at the venue after the main conference room is fully occupied. The Company may limit the number of attendees at the SGM as may be necessary to avoid overcrowding.

**In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) instead of attending the meetings in person by completing and returning the forms of proxy enclosed with this Scheme Document.**

8. References to time and dates in this notice are to Hong Kong time and dates.